



SAGUARO RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Private and Confidential

FOR THE THREE MONTHS ENDED MARCH 31, 2025

Management's Discussion and Analysis ("MD&A") is a review of Saguaro Resources Ltd. ("Saguaro", "the Company", "we" or "our") results and management's analysis of its performance for the three months ended March 31, 2025. It is dated May 12, 2025 and should be read in conjunction with the unaudited interim financial statements and accompanying notes for the three months ended March 31, 2024 and the MD&A and audited financial statements and accompanying notes for the year ended December 31, 2024. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

DESCRIPTION OF BUSINESS

Saguaro is a privately held Canadian natural gas and natural gas liquids producer and developer, focused on maximizing long term value through low cost, scalable development from its 50% non-operated working interest liquids rich Laprise Montney assets, located approximately 150 km north west of Fort St. John, British Columbia. We were 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.

Abbreviations

For common abbreviations see the back of the MD&A.



CORPORATE UPDATE

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.



FINANCIAL & OPERATIONAL RESULTS

Financial and Operational Highlights	Three months ended March 31	
(\$000, except as otherwise noted)	2025	2024
Financial		
Natural gas and liquids sales	23,909	30,754
Funds from operations ⁽¹⁾	8,279	15,539
Per boe (\$/boe) ⁽¹⁾	7.79	14.49
Per basic shares (\$) ⁽¹⁾	0.04	0.08
Net income (loss) and comprehensive income (loss)	1,079	3,527
Per basic shares (\$)	0.01	0.02
Capital expenditures ⁽¹⁾	4,537	10,083
Free cash flow ⁽¹⁾	3,742	5,456
Net debt (working capital surplus) ⁽¹⁾	(1,724)	(22,524)
Basic weighted average shares (000)	202,597	202,597
Operations		
Production		
Natural gas (Mcf/d)	56,313	57,652
Condensate (bbl/d)	1,586	1,420
NGLs (bbl/d)	856	750
Total average production (boe/d)	11,828	11,779
Net realized prices, before financial contracts		
Natural gas (\$/Mcf)	1.66	3.24
Liquids (\$/bbl)	70.95	69.48
Operating netback (\$/boe)		
Natural gas and liquids sales	22.49	28.68
Royalty expense	(1.57)	(0.99)
Operating expense	(7.80)	(8.63)
Transportation expense	(3.47)	(3.63)
Operating netback before financial contracts ⁽¹⁾	9.65	15.43
Realized gain on financial contracts	(0.93)	0.02
Operating netback ⁽¹⁾	8.72	15.45

(1) Non-GAAP financial measure, see "Non-GAAP Measures".



Production

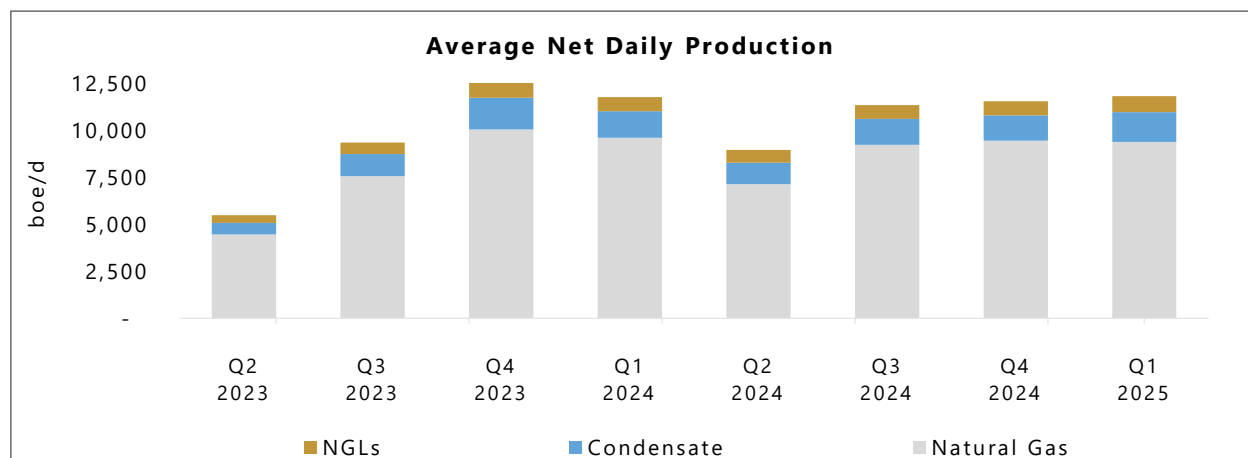
Average net production	Three months ended March 31		
	2025	2024	Change
Natural gas (Mcf/d)	56,313	57,652	(2%)
Condensate ⁽¹⁾ (bbl/d)	1,586	1,420	12%
Natural gas liquids – NGLs ⁽²⁾ (bbl/d)	856	750	14%
Total average production (boe/d)	11,828	11,779	0%
% Natural gas production	79%	82%	
% Liquids ⁽³⁾ production	21%	18%	

(1) Condensate includes field condensate and plant pentanes.

(2) NGLs include butane and propane.

(3) Liquids include condensate and NGLs.

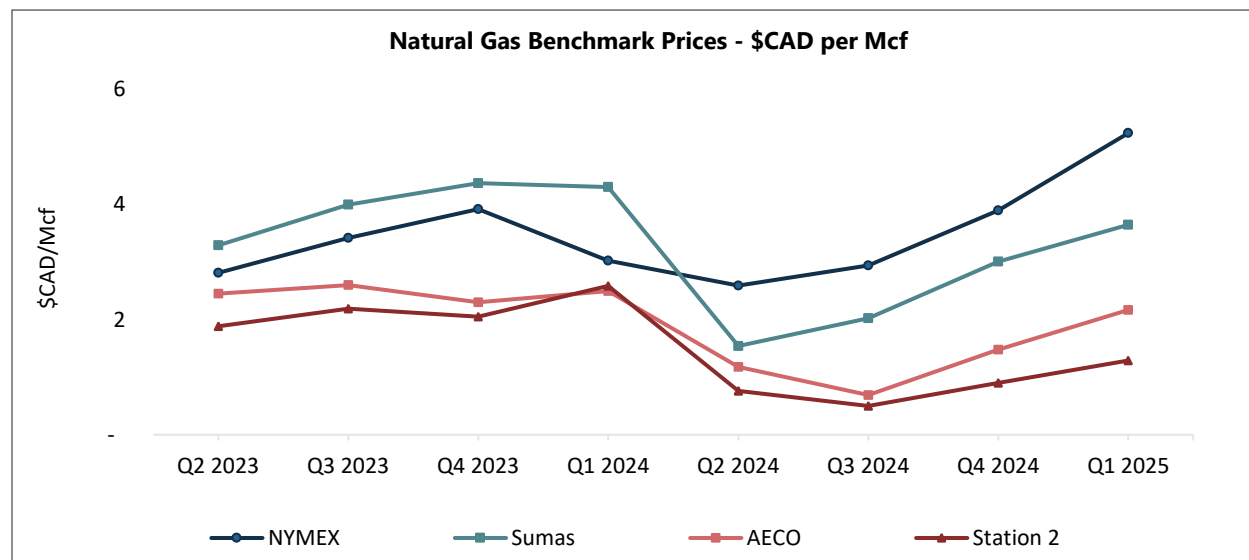
Saguaro's production averaged 11,828 boe/d for the three months ended March 31, 2025, relatively consistent with the same period in the prior year. Our condensate to gas ratio varies with the timing of well additions, well pad location and recoveries at third party processing facilities. Late in 2024, we completed and brought 5 wells onto production. Contribution from these wells combined with an increase in third party recoveries improved our condensate and NGL production in the first quarter of 2025.



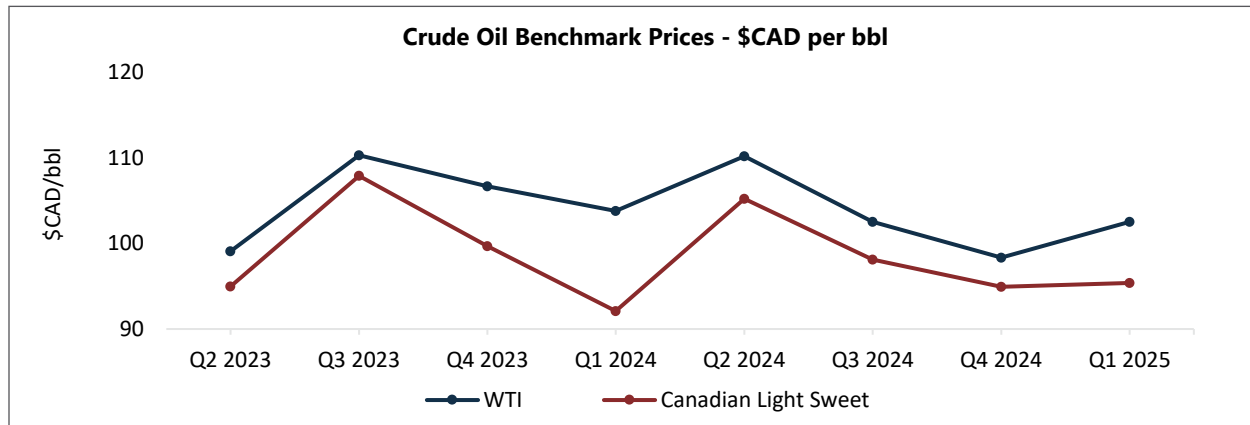
Commodity Prices

Average benchmark price (\$)	Three months ended March 31		
Natural Gas	2025	2024	Change
AECO daily index (CAD/Mcf)	2.17	2.50	(13%)
Station 2 daily index (CAD/Mcf)	1.29	2.59	(50%)
NYMEX monthly index (USD/MMBtu)	3.65	2.24	63%
Sumas daily index (USD/MMBtu)	2.54	3.19	(20%)
Crude Oil			
WTI (USD/bbl)	71.44	76.96	(7%)
Canadian Light Sweet (CAD/bbl)	95.37	92.10	4%
Foreign Exchange			
CAD/USD exchange rate	1.44	1.35	7%

The following chart details average natural gas benchmark prices over the last eight quarters. For comparison purposes, all amounts have been converted to \$CAD/Mcf using the monthly average exchange rate in each respective quarter:



The chart below details average crude oil benchmark prices over the last eight quarters. For comparison purposes, all amounts have been converted to \$CAD/bbl using the monthly average exchange rate in each respective quarter:



Average realized sales price before financial contracts	Three months ended March 31		
Natural Gas	2025	2024	Change
Natural gas (\$/Mcf)	1.66	3.24	(49%)
Liquids			
Condensate (\$/bbl)	93.67	88.63	6%
NGLs (\$/bbl)	28.13	32.97	(15%)
Total liquids (\$/bbl)	70.95	69.48	2%
All Products (\$/boe)	22.49	28.68	(22%)

Saguaro's natural gas is sold at the Station 2 sales point in British Columbia and the Sumas sales point in Washington. We also periodically use physical sales contracts to further diversify our price points. Our realized natural gas price for the three months ended March 31, 2025 decreased by 49%, when compared to the same period in the prior year. High inventory levels combined with increased production resulted in lower Western Canadian benchmark natural gas prices.

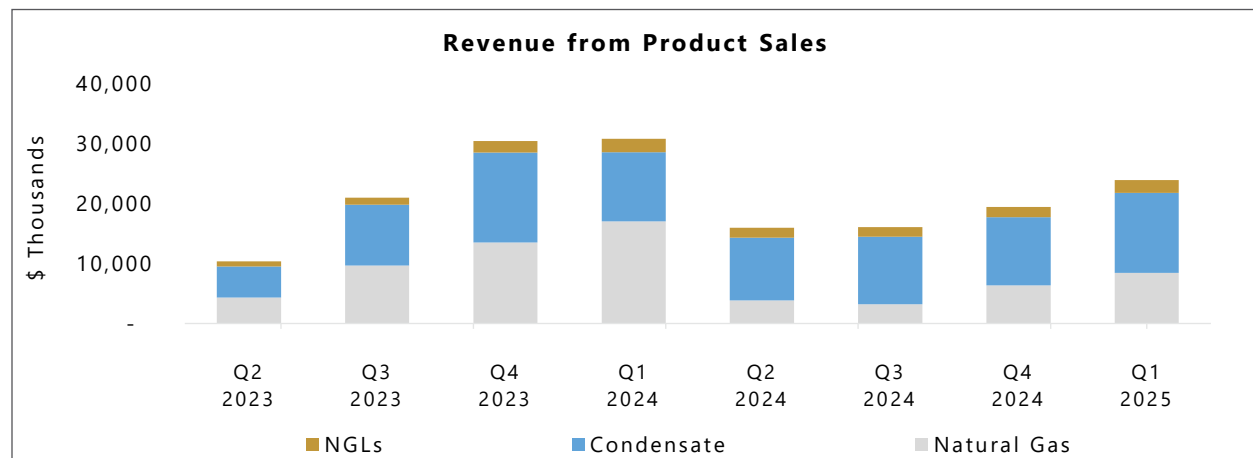
Condensate and NGLs are largely priced with reference to WTI. Our average liquids price for the three months ended March 31, 2025 increased by 2% compared to the same period in the prior year, despite WTI decreasing by 7% over the same period. This is largely a result of wide Canadian differentials to WTI in the prior year, due to the delay in the Trans Mountain pipeline expansion.



Revenue from Product Sales

Revenue from product sales (\$000)	Three months ended March 31		
	2025	2024	Change
Natural gas	8,409	17,019	(51%)
Condensate	13,370	11,493	16%
NGLs	2,130	2,242	(5%)
Total Revenue	23,909	30,754	(22%)

Saguaro's total revenue for the three months ended March 31, 2025 decreased by 22% when compared to the same period in the prior year. This is largely a result of a decrease in realized natural gas price offset somewhat by an increase in condensate production combined with a modest increase in our realized condensate price.



Commodity Price Risk Management

Saguaro's risk management program uses physical sales and financial contracts to diversify sales points and to manage the volatility in commodity prices. The program is designed to protect cash flow as a source of funding for capital expenditures. The program is not based on commodity price speculation and is subject to limitations established by the Board of Directors of the Company and with respect to covenants related to our credit facility. Physical sales contracts are included in revenue when realized. Financial contracts are recorded at fair value with changes to fair value being recorded as a gain or loss to financial contracts.

The following table summarizes the financial contracts in place as at March 31, 2025:

Financial contracts	April 1 to December 31, 2025		January 1 to December 31, 2026	
	Average Units/d	Average Realized Price/Unit	Average Units/d	Average Realized Price/Unit
Natural Gas Swaps				
Station 2 Fixed Price	-	-	17,500 GJ	CAD \$2.59/GJ
Crude Oil Swaps				
WTI – CAD	1,500 bbl	CAD \$95.29/bbl	-	-

The fair value of the financial contract assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized financial contract gains and losses do not impact funds from operations and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

The following table compares the fair value of Saguaro's financial contracts at March 31, 2025 and December 31, 2024:

Fair value of financial contracts (\$000)	As at March 31, 2025	As at December 31, 2024
Natural gas	(2,168)	(317)
Crude oil	(1,386)	(2,305)
Fair value of financial contracts	(3,554)	(2,622)

As at March 31, 2025, the fair value of Saguaro's financial contracts was \$3.6 million out of the money.

Total losses on our financial contracts for the three months and year ended March 31, 2025 and 2024 are summarized below:

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

Saguaro realized a loss of \$0.9 million for the three months ended March 31, 2025 as WTI benchmark price strengthened compared to our financial contracts.



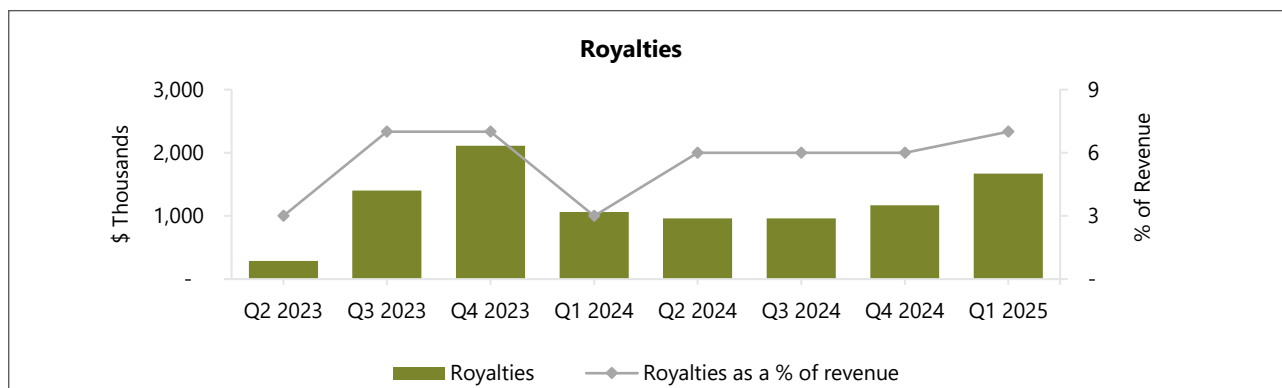
Royalties

Royalty expense	Three months ended March 31		
	2025	2024	Change
Royalty expense (\$000)	1,668	1,064	57%
Royalty expense (\$/boe)	1.57	0.99	59%
Royalty expense as a % of revenue before financial contracts	7%	3%	

Royalty expense consists of crown royalties to the province of British Columbia. Royalty expense as a percentage of revenue averaged 7% for the three months ended March 31, 2025. This is an increase from the 3% averaged for the same period in the prior year. In the first quarter of 2024, we received a \$1.2 million credit related to royalties paid in prior years. This adjustment was made by the province of British Columbia as they recognized a previously disallowed deduction in the royalty calculation for costs related to a third party pipeline. Excluding this adjustment, royalty expense as a percentage of revenue would have averaged 7% in the first quarter of 2024, consistent with the first quarter of 2025.

Saguaro received credits related to incentives from the Deep Well Royalty Credits Program ("DWRCP"). Wells that are eligible for the DWRCP are subject to a minimum 6% royalty rate until the DWRCP is fully utilized. At March 31, 2025, Saguaro has \$10.4 million (December 31, 2024 -\$10.7 million) of the DWRCP credit available to use in the future.

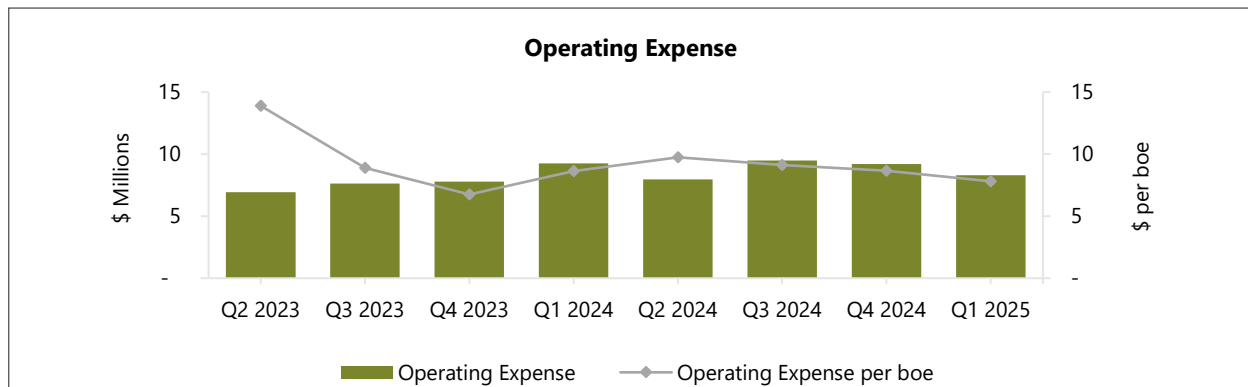
Future royalty rates could vary considerably as they are sensitive to commodity prices and subject to potential changes to royalty regimes.



Operating Expense

Operating expense	Three months ended March 31		
	2025	2024	Change
Operating expense (\$000)	8,296	9,249	(10%)
Operating expense (\$/boe)	7.80	8.63	(10%)

Operating expense for the three months ended March 31, 2025 decreased by 10% when compared to the same period in the prior year. During the first quarter of 2025, we received a credit of \$1.0 million from the CleanBC Industrial Incentive Program reducing our provincial carbon tax costs from previous periods and in turn reducing our overall operating expense.



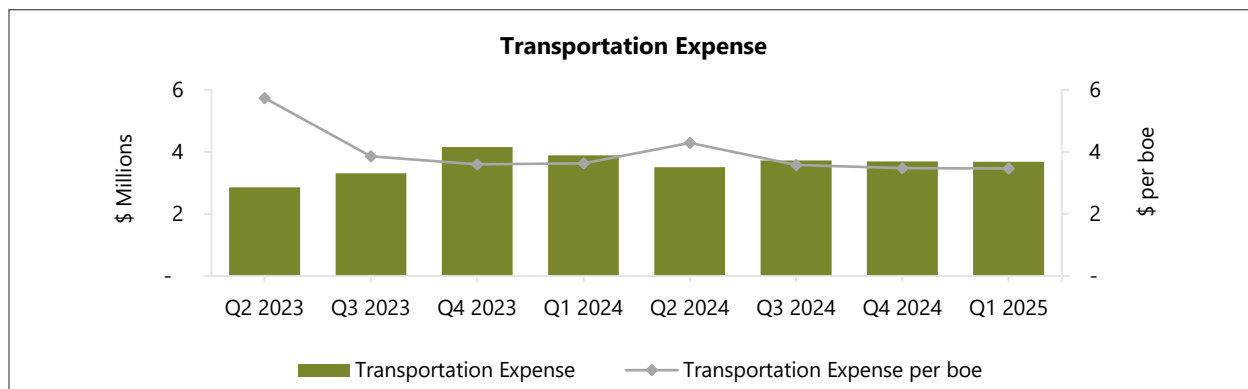
Transportation Expense

Transportation expense (\$000)	Three months ended March 31		
	2025	2024	Change
Transportation expense before unutilized take or pay	3,253	3,007	8%
Unutilized take or pay	434	886	(51%)
Transportation expense	3,687	3,893	(5%)

Transportation expense (\$/boe)	Three months ended March 31		
	2025	2024	Change
Transportation expense before unutilized take or pay	3.06	2.80	9%
Unutilized take or pay	0.41	0.83	(51%)
Transportation expense	3.47	3.63	(4%)

Transportation expense for natural gas includes pipeline tariffs from third party processing facilities to the Station 2 sales point in British Columbia and to the Sumas sales point in Washington. For liquids, transportation expense includes pipeline tariffs, trucking and terminalling costs. Saguaro entered into third party firm processing and transportation agreements to ensure sufficient capacity for expected commodity sales volumes. Saguaro did not fully meet the committed volumes for transportation for the three months ended March 31, 2025 or 2024, resulting in unutilized take or pay charges.

Transportation expense for the three months ended March 31, 2024 decreased by 5%, when compared to the same period in the prior year. On a per boe basis, transportation expense decreased by 4%, between the same periods. During the quarter, we assigned transportation commitments to a third party producer mitigating our take or pay exposure. This reduction in unutilized take or pay charges more than offset higher regulated natural gas pipeline tolls experienced in the quarter.

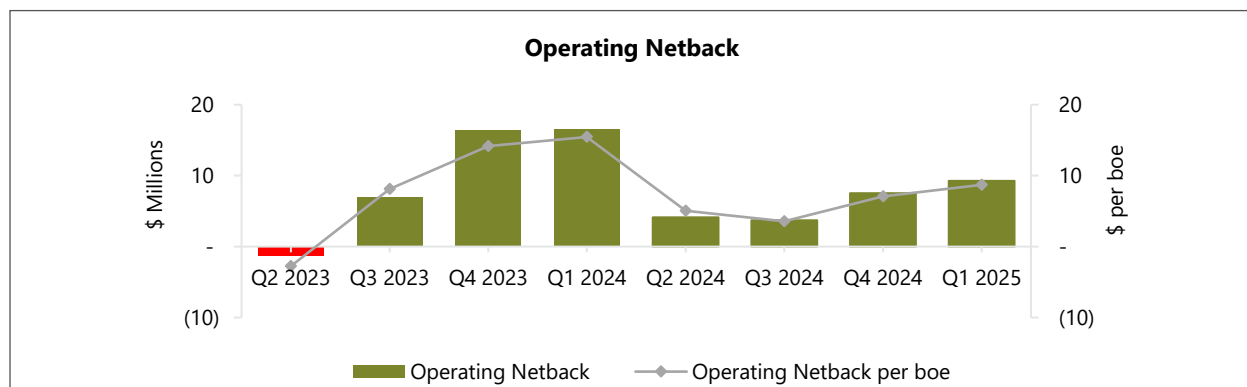


Operating Netback

Operating netback	Three months ended March 31			
	2025		2024	
	\$000	\$/boe	\$000	\$/boe
Natural gas and liquids sales	23,909	22.49	30,754	28.68
Royalties	(1,668)	(1.57)	(1,064)	(0.99)
Operating expense	(8,296)	(7.80)	(9,249)	(8.63)
Transportation expense	(3,687)	(3.47)	(3,893)	(3.63)
Operating netback before financial contracts (1)	10,258	9.65	16,548	15.43
Realized gain (loss) on financial contracts	(993)	(0.93)	16	0.02
Operating netback (1)	9,265	8.72	16,564	15.45

(1) Non-GAAP financial measure, see "Non-GAAP Measures".

Our operating netback for the three months ended March 31, 2025 was \$8.72/boe, a 44% decrease from the same period in the prior year. This is largely a result of lower realized prices.



General and Administrative Expense ("G&A")

G&A expense (\$000)	Three months ended March 31		
	2025	2024	Change
G&A expense - Gross	1,106	1,408	(21%)
Capitalized G&A	(243)	(243)	-
G&A expense - Net	863	1,165	(26%)
G&A expense (\$/boe)	0.81	1.09	(26%)

G&A expense for the three months ended March 31, 2025 decreased by 26% when compared to the same period in the prior year as a result of the elimination of the provision for the annual employee bonus in the current year.

Capitalized G&A is comprised of salaries, consulting fees and overhead directly related to the development of our exploration and evaluation, and property, plant and equipment assets.

Financing Costs and Interest Income

Financing costs (\$000)	Three months ended March 31		
	2025	2024	Change
Interest and fees on credit facilities	251	229	10%
Financing cash costs	251	229	10%
Accretion of decommissioning liabilities	23	21	10%
Interest on lease liabilities	1	8	(88%)
Total financing costs	275	258	7%
Financing cash costs (\$/boe)	0.24	0.21	14%
Total financing costs (\$/boe)	0.26	0.24	8%

Interest income (\$000)	Three months ended March 31		
	2025	2024	Change
Total interest income	128	369	(65%)
Total interest income (\$/boe)	0.12	0.34	(65%)

Financing cash costs include interest and fees paid on Saguaro's credit facility. Saguaro incurred minimal financing charges during the three months ended March 31, 2025 and 2024, as the Company had no draws on its credit facility during these periods.

Interest income includes interest earned on cash balances.



Depletion and Depreciation

Depletion and depreciation expense (\$000)	Three months ended March 31		
	2025	2024	Change
Depletion of oil and gas assets	5,804	5,874	(1%)
Depreciation of corporate assets	1	2	(50%)
Depreciation of right of use assets	67	67	-
Total depletion and depreciation expense	5,872	5,943	(1%)
Depletion and depreciation rate (\$/boe)	5.52	5.54	0%

The net carrying value of our development and production assets is depleted using the unit-of-production method by determining the ratio of production in the period to the related proved plus probable reserves and estimated future development costs necessary to bring those reserves into production.

Depreciation expense on corporate assets, such as computer equipment, software and office furniture, is calculated on a straight-line basis over their estimated useful lives.

Depreciation expense on right of use assets is calculated on a straight-line basis over their respective lease terms.

For the three months ended March 31, 2025, our depletion and depreciation rate per boe was consistent with the same period in the prior year as proved plus probable reserves and estimated future development costs included in our December 31, 2024 reserves evaluation remained relatively consistent with the prior year's evaluation.

Deferred Income Tax Expense

Deferred income tax expense (\$000)	Three months ended March 31		
	2025	2024	Change
Deferred income tax expense	365	1,240	(71%)

Deferred income tax expense is a non-cash item arising from differences between the accounting and the tax basis of our assets and liabilities.

Net Income

	Three months ended March 31		
	2025	2024	Change
Net income (\$000)	1,079	3,527	(69%)
Per basic and diluted shares	0.01	0.02	(50%)



INVESTMENT AND FINANCING

Capital Expenditures

The following is a summary of our capital expenditures for the three months ended March 31, 2025 and 2024:

Capital expenditures (\$000)	Three months ended March 31, 2025			Three months ended March 31, 2024		
	E&E	PP&E	Total	E&E	PP&E	Total
Drilling, completions & well equipment	-	2,205	2,205	-	7,196	7,196
Facilities & pipelines	-	2,279	2,279	-	2,830	2,830
Land	53	-	53	38	-	38
Geological & geophysical	-	-	-	-	19	19
Corporate & other assets	-	-	-	-	-	-
Total capital expenditures ⁽¹⁾	53	4,484	4,537	38	10,045	10,083

(1) Non-GAAP financial measure, see "Non-GAAP Measures".

Saguaro incurred \$4.5 million in total capital expenditures for the three months ended March 31, 2025. These expenditures are largely related to finalizing our most recent five well pad, which was brought on-stream in late 2024, combined with small infrastructure projects.



Decommissioning Liability

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:

Decommissioning liability (\$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

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 CORRA/SOFR or prime rates plus a margin, 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.

Liquidity and Capital Resources

At March 31, 2025, Saguaro maintained a strong liquidity position with a small working capital surplus of \$1.7 million, no outstanding bank debt and no amounts drawn on its revolving credit facility. Working capital is a non-GAAP financial measure, see "Non-GAAP Measures".



Issued and Outstanding Share Information

A summary of the Company's issued and outstanding common shares as at March 31, 2025 is provided below.

Share capital	Shares (000s)	Average Price	Consideration (\$000)
Issued under private placement	17,964	\$2.01	36,020
Repurchased under an issuer bid	(6,918)	\$2.20	(15,200)
Issued pursuant to line of equity financings	181,818	\$2.20	400,000
Issued upon exercise of subscription warrants	9,733	\$2.20	21,414
Total shares issued at March 31, 2025	202,597	\$2.18	442,234
Share issue costs	-	(0.01)	(3,630)
Non-cash subscription warrants attributed value	-	-	633
Return of capital ⁽¹⁾	-	(0.20)	(40,519)
Balance at March 31, 2025	202,597	\$1.97	398,718

(1) On August 15, 2022, the Company paid a special distribution to its shareholders by way of return of capital, in the amount of \$0.20 per Common Share, for a total distribution amount of approximately \$40.5 million.



CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

Commitments (\$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.

The following table outlines the average take or pay volume obligations under the Company's firm processing and transportation agreements as at March 31, 2025:

Take or pay capacity	2025	2026	2027	2028	2029	Expiring
Processing						
Natural Gas Processing Facilities (MMcf/d)	57.0	57.0	57.0	57.0	57.0	December 31, 2030
Transportation						
Condensate (bbl/d)	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	March 31, 2039
T-North (MMcf/d)	54.0	40.7	37.8	45.4	52.7	July 31, 2048 ⁽¹⁾
T-South Expansion (MMcf/d)	4.1	4.1	4.1	4.1	4.1	October 31, 2061
North Montney Mainline (MMcf/d)	3.4	10.0	10.0	10.0	10.0	April 30, 2040

(1) T-North includes multiple contracts with various expiration dates, the latest expiration date has been referenced.



QUARTERLY RESULTS

The following table highlights Saguaro's performance for the following quarters:

	2025	2024				2023		
Cdn \$000s unless otherwise noted	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
PRODUCTION								
Average daily production (boe/d)	11,828	11,557	11,344	8,963	11,779	12,568	9,356	5,492
FINANCIAL								
Natural gas and liquids sales	23,909	19,421	16,076	15,957	30,754	30,411	20,985	10,363
Realized gain (loss) on financial contracts	(993)	2,162	1,818	597	16	23	(1,689)	(1,656)
Unrealized gain (loss) on financial contracts	(932)	(5,470)	1,652	450	(4,793)	8,480	(4,053)	1,407
Net income (loss)	1,079	(2,942)	(1,228)	1,742	3,527	13,093	(2,035)	(2,641)
Net income (loss) per share – basic and diluted (\$/share)	0.01	(0.01)	(0.01)	0.01	0.02	0.06	(0.01)	(0.01)
Total assets	433,732	436,041	431,981	434,482	425,902	421,384	424,910	401,387
Common shares outstanding (000s)	202,597	202,597	202,597	202,597	202,597	202,597	202,597	202,597
Capital expenditures ⁽¹⁾	4,537	21,179	2,569	16,849	10,083	7,408	25,235	4,454
Funds from operations ⁽¹⁾	8,279	7,453	2,545	6,400	15,539	15,429	6,014	(2,160)
Operating netback (\$/boe) ⁽¹⁾	8.72	7.09	3.55	5.06	15.45	14.18	8.10	(2.75)

(1) Non-GAAP financial measure, see "Non-GAAP Measures".



NON-GAAP MEASURES

Within this MD&A, Saguaro discloses certain measures to analyze financial performance, financial position and cash flow, which are not determined in accordance with IFRS Accounting Standards and do not have any standardized meaning as prescribed by IFRS Accounting Standards. These non-GAAP financial measures may not be comparable to the calculation of similar amounts for other entities and readers are cautioned that the use of such measures to compare enterprises may not be valid. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS Accounting Standards. These non-IFRS Accounting Standards measures should be read in conjunction with Saguaro's financial statements and the accompanying notes.

Funds from Operations

Management believes that funds from operations is a useful measure of Saguaro's ability to generate cash from the production of natural gas and liquids. Changes in non-cash working capital are excluded from funds flow from operations as they may vary significantly between periods and are not considered to be indicative of the Company's operating performance, as they are a function of the timeliness of collecting receivables and paying payables. The most directly comparable measure under IFRS Accounting Standards is cash from operating activities. Readers are cautioned that funds from operations should not be construed as an alternative to cash from operating activities determined in accordance with IFRS Accounting Standards as an indicator of our performance. As disclosed in the below table, the reconciling item between funds from operations and cash from operating activities is the net change in non-cash operating working capital items.

(\$000)	Three months ended March 31	
	2025	2024
Funds from operations	8,279	15,539
Net change in non-cash working capital items	2,754	1,808
Cash from operating activities	11,033	17,347

In this MD&A, funds from operations is also calculated on a per boe and per share basis. Funds from operations per boe is derived by dividing each component of funds from operations by the total production in boe for the reporting period. Funds from operations per share is derived by dividing each component of funds from operations by the basic weighted average shares outstanding of the Company.

Operating Netback and Operating Netback before Financial Contracts

Operating netback before financial contracts is determined by deducting royalties, operating and transportation expenses from natural gas and liquids sales revenue; operating netback is calculated by further adjusting for realized gains or losses on financial contracts. Operating netback is utilized by the Company and others to better analyze the operating performance of its oil and natural gas assets.

In this MD&A, operating netback and operating netback before financial contracts are also calculated on a per boe basis. Operating netback per boe is derived by dividing each component of operating netback by the total production in boe for the reporting period. Operating netback before financial contracts per boe is derived by dividing each component of operating netback before financial contracts by the total production in boe for the reporting period.

See the table under the heading "Operating Netback" in this MD&A for a reconciliation of operating netback, operating netback per boe, operating netback before financial contracts and operating netback before financial contracts per boe to their most comparable financial measures in accordance with GAAP.



Capital Expenditures

Capital expenditures represent the Company's capital investment in exploration and production activity. Management believes this measure is reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. See the table under "Capital Expenditures" in this MD&A for a detailed calculation of capital expenditures. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. A summary of the reconciliation of cash flow used in investing activities to capital expenditures is as follows:

(\$000)	Three months ended March 31	
	2025	2024
Capital expenditures	4,537	10,083
Net change in non-cash working capital items	3,991	177
Cash used in investing activities	8,528	10,260

Free Cash Flow

Free cash flow is calculated as funds from operations less capital expenditures. Saguaro uses free cash flow as an indicator of the efficiency and liquidity of the Company's business by measuring its cash available after capital expenditures during a certain period. The most directly comparable measure under IFRS Accounting Standards is cash from operating activities less cash from (used) in investing activities. Readers are cautioned that free cash flow should not be construed as an alternative to cash from operating activities less cash used in investing activities determined in accordance with IFRS Accounting Standards as an indicator of our performance. A reconciliation of the most directly comparable financial measure is as follows:

(\$000)	Three months ended March 31	
	2025	2024
Cash from operating activities	11,033	17,347
Cash used in investing activities	(8,528)	(10,260)
Net change in non-cash working capital items	1,237	(1,631)
Free cash flow	3,742	5,456

Working Capital

Working capital is a measure for the Company's short-term operating liquidity. By excluding short term financial contracts and the current portion of other liabilities, Management and users can determine if the Company's operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of working capital as at March 31, 2025 and 2024 is as follows:

(\$000)	As at March 31	
	2025	2024
Cash and cash equivalents	18,070	32,199
Accounts receivable	6,880	7,732
Prepaid expenses and other	1,401	1,253
Accounts payable and accrued liabilities	(24,299)	(18,382)
Lease liabilities	(328)	(278)
Working capital surplus	1,724	22,524



Net Debt

Net debt is a measure for the Company's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

(\$000)		As at March 31
	2025	2024
Working capital (surplus) deficit	(1,724)	(22,524)
Debt	-	-
Net debt (working capital surplus)	(1,724)	(22,524)

Dollars per BOE figures

Throughout this MD&A, the Company presents certain financial figures, in accordance with IFRS Accounting Standards, stated in dollars per boe. These figures are determined by dividing the applicable financial figure as prescribed under IFRS by the Company's total sales volume for the respective period. Below is a list of figures which have been presented in this MD&A in \$ per boe:

- Natural gas and liquids sales
- Operating expense
- Unutilized take or pay
- Realized gain (loss) on financial contracts
- Royalty expense
- Transportation expense
- Transportation expense before unutilized take or pay
- G&A expense
- Financing cash costs
- Total financing costs
- Depletion and depreciation rate
- Total interest income



OFF BALANCE SHEET ARRANGEMENTS

Saguaro has physical fixed price sales contracts for natural gas, firm service processing and gathering contracts, and firm transportation contracts. In accordance with IFRS Accounting Standards, these contracts and the related letters of credit are not recorded as liabilities on our balance sheet but have been disclosed in Contractual Obligations and Commitments and disclosed accordingly in the notes to the March 31, 2025 unaudited condensed interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed is accumulated and communicated as appropriate to allow timely decisions regarding required disclosures. There were no changes to our disclosure controls or procedures during the three months ended March 31, 2025.

FINANCIAL REPORTING UPDATE

Future Accounting Policy Changes

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 Consolidated Statements of Comprehensive Income (Loss) 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.

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 fair value through other comprehensive income (loss) 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.



COMMON ABBREVIATIONS

The following is a list of abbreviations that may be used in this MD&A:

Oil and Natural Gas Liquids		Natural Gas	
bbl	Barrel	GJ	Gigajoule
bbl/d	Barrels per day	Mcf	Thousand cubic feet
NGLs	Natural gas liquids	Mcf/d	Thousand cubic feet per day
		MMcf/d	Million cubic feet per day
		MMBtu	One million British Thermal Units
Other			
AECO	The AECO hub is the main pricing point for Alberta natural gas and represents the major pricing point for Canadian gas. Prices are determined via the spot market, day sale.		
boe	Barrel of oil equivalent.		
boe/d	Barrel of oil equivalent per day.		
CORRA	Canadian Overnight Repo Rate Average administered and published by the Bank of Canada (or any successor administrator).		
EBITDA	Earnings before interest, taxes, depreciation and amortization.		
E&E	Exploration and Evaluation.		
km	Kilometer.		
NYMEX	NYMEX Henry Hub prices are the primary benchmarks for natural gas sales in the US.		
PP&E	Property, Plant and Equipment.		
Station 2	Gas delivered into Station 2 along Spectra's Westcoast Energy (WEI) pipeline. Station 2 is located near Chetwynd, BC, and is the main aggregation point from which supplies from the Northeastern part of British Columbia are shipped south along the main Spectra pipeline.		
SOFR	A rate equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).		
Sumas	Sumas is the export location for natural gas shipped on Spectra's Westcoast Energy (WEI) Pipeline at the Sumas WA/Hungtington BC border. Prices are quoted in \$US/MMBtu.		
WTI	West Texas Intermediate, the reference price paid in United States dollars at Cushing, Oklahoma, USA for crude oil of standard grade.		



OIL AND GAS ADVISORIES

Saguaro uses certain oil and gas metrics, including operating netbacks, which does not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in documents provided by Saguaro to shareholders to give readers additional measures to evaluate Saguaro's performance; however, such measures are not reliable indicators of the future performance of Saguaro and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

All boe conversions included in documents provided by Saguaro to shareholders are derived by converting gas to oil at the ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A boe conversion rate of 1 boe: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas, based on current prevailing prices, is significantly different than the energy equivalency ratio of 1 boe: 6 Mcf, utilizing a conversion ratio may be misleading.



FORWARD LOOKING STATEMENTS

Certain disclosures set forth in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements"). Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believes", "budget", "continue", "could", "estimate", "forecast", "intends", "may", "plan", "predicts", "projects", "should", "will" and other similar expressions. All estimates and statements that describe the Company's future, goals, or objectives, including management's assessment of future plans and operations, may constitute forward-looking statements under securities laws.

In particular, forward-looking statements included in this MD&A include, but are not limited to, Saguaro's strategy, plans, objectives, priorities and focus; that the transaction with the Purchaser will close on the expected terms and expected timing; the amount of DWRCP credit available to use in the future; the estimated undiscounted amount to settle the Company's decommissioning liabilities and the anticipated timing of incurring such amounts; Saguaro's approach to its risk management program and the anticipated benefits to be derived therefrom; and Saguaro's contractual obligations and commitments, including its third party firm processing and transportation obligations and the anticipated benefits to be derived therefrom.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Saguaro's control, including, but not limited to, the impact of general economic conditions (including as a result of the actions of OPEC+ and non-OPEC+ members); industry conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; currency fluctuations; accuracy of exploration results and reserve estimates; liabilities inherent in oil and gas operations; environmental risks; changes in environmental, tax and royalty legislation; changes in income tax rates; changes in incentive programs relating to the oil and natural gas industry; competition from other industry participants; availability of pipelines; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; the risk that Saguaro's decommissioning liabilities may be greater than anticipated; the risk that Saguaro's third party firm processing and transportation agreements may not lead to the benefits anticipated; the risk that Saguaro's risk management program may not be able to diversify sales points or manage the volatility in commodity prices; and the risk that the transaction with the Purchaser is not completed on the anticipated terms or in the anticipated timing.

With respect to forward-looking statements contained herein, Saguaro has made assumptions regarding, among other things: future capital expenditure levels; future oil and natural gas prices; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; future oil and natural gas production levels; availability of pipelines; that the estimates of the Company's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; ability to obtain equipment and services in a timely manner; future operating costs; the impact of increasing competition; the ability to obtain financing on acceptable terms; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company's conduct and results of operations will be consistent with its expectations; the ability of Saguaro to obtain qualified staff, equipment and services in a timely and cost efficient manner; the required sustaining capital to maintain a fully utilized plant; that Saguaro's risk management program will be able to diversify sales points and manage the volatility in commodity prices; and that the conditions to closing of the transaction with the Purchaser will be satisfied in a timely manner.

Management has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide shareholders with a more complete perspective on Saguaro's current and future operations and such information may not be appropriate for other purposes. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Saguaro's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and Saguaro disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.



This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Company's potential financial position, including, but not limited to: the estimated undiscounted amount to settle the Company's decommissioning liabilities and the anticipated timing of incurring such amounts, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Company and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.



DISTRIBUTION ADVISORY

The payment of shareholder distributions, including but not limited to the payment of returns of capital and the amount thereof is uncertain. Any decision by the Company to pay distributions on its shares (including the actual amount, the declaration date and the payment date in connection therewith) will be subject to the discretion of the Board of Directors of Saguaro and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions, creditor approval and satisfaction of the solvency tests imposed on the Company under applicable corporate law. Further, the actual amount, the declaration date and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that the Company will pay distributions to shareholders in the future.



CORPORATE INFORMATION

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Chairman

Stacy Knull^H
Chief Executive Officer

M. Scott Bratt^{AC}

Robert Chaisson^H

James (Pep) Lough^A

Richard Aube^{ACH}

Cameron McVeigh

Connor Johns

^A Member of the Audit Committee

^C Member of the Compensation and
Corporate Governance Committee

^H Member of the Health, Safety &
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Reserves Evaluator

Sproule Associates Limited

Bank

ATB Financial

