UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

NSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-41537

GRANITE RIDGE RESOURCES, INC.

(*Exact Name of Registrant as Specified in Its Charter*)

Delaware	**1311**	**88-2227812**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5217 McKinney Ave, Suite 400
Dallas, TX 75205

(Address of principal executive offices)

(214) 396-2850

(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	GRNT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Non-accelerated filer	☐	Smaller reporting company	☒
						Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At November 4, 2024, there were 130,743,952 shares of our common stock, par value $0.0001, outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law afford.

From time to time, our management or persons acting on our behalf may make "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q (this "Report"), including, without limitation, statements regarding our financial position, operating and financial performance, business strategy, plans and objectives of management for future operations, industry conditions, indebtedness covenant compliance, capital expenditures, production, cash flow, borrowing base under our Credit Agreement (as defined below), our intention or ability to pay or increase dividends on our capital stock, and impairment are forward-looking statements. When used in this Report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "continue," "anticipate," "target," "could," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about actual or potential future production, sales, market size, collaborations, cash flows, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following:

- changes in current or future commodity prices and interest rates;
- supply chain disruptions;
- infrastructure constraints and related factors affecting our properties;
- our ability to acquire additional development opportunities and potential or pending acquisition transactions, as well as the effects of such acquisitions on our company's cash position and levels of indebtedness;
- changes in our reserves estimates or the value thereof;
- operational risks including, but not limited to, the pace of drilling and completions activity on our properties;
- changes in the markets in which Granite Ridge competes;
- geopolitical risk and changes in applicable laws, legislation, or regulations, including those relating to environmental matters;
- cyber-related risks;
- the fact that reserve estimates depend on many assumptions that may turn out to be inaccurate and that any material inaccuracies in reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves;
- the outcome of any known and unknown litigation and regulatory proceedings;
- limited liquidity and trading of Granite Ridge's securities;
- acts of war, terrorism or uncertainty regarding the effects and duration of global hostilities, including the Israel-Hamas conflict, the Russia-Ukraine war, continued instability in the Middle East, including from the Houthi rebels in Yemen, and any associated armed conflicts or related sanctions which may disrupt commodity prices and create instability in the financial markets;

- market conditions and global, regulatory, technical, and economic factors beyond Granite Ridge's control, including the potential adverse effects of world health events, such as the COVID-19 pandemic, affecting capital markets, general economic conditions, global supply chains and Granite Ridge's business and operations;
- increasing regulatory and investor emphasis on, and attention to, environmental, social, and governance matters;
- our ability to establish and maintain effective internal control over financial reporting; and
- other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") under "Risk Factors," as updated by any subsequent Quarterly Reports on Form 10-Q, including this Report, which we file with the United States Securities and Exchange Commission ("SEC").

We have based any forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

Reserve engineering is a process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data, and the price and cost assumptions made by reservoir engineers. In addition, the results of drilling, testing and production activities, or changes in commodity prices, may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas and oil that are ultimately recovered.

You should carefully consider the statements in "Item 1A. Risk Factors" of our 2023 Form 10-K and other sections of this Report, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Our company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements, other than as may be required by applicable law or regulation.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

GRANITE RIDGE RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(in thousands, except par value and share data)	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	$ 23,102	$ 10,430
Revenue receivable	58,504	72,934
Advances to operators	11,756	4,928
Prepaid and other current assets	2,592	1,716
Derivative assets - commodity derivatives	8,489	11,117
Equity investments	27,651	50,427
Total current assets	132,094	151,552
Property and equipment:		
Oil and gas properties, successful efforts method	1,492,861	1,236,683
Accumulated depletion	(593,411)	(467,141)
Total property and equipment, net	899,450	769,542
Long-term assets:		
Derivative assets - commodity derivatives	—	1,189
Other long-term assets	4,331	4,821
Total long-term assets	4,331	6,010
Total assets	$ 1,035,875	$ 927,104
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 83,231	$ 60,875
Other liabilities	1,233	1,204
Total current liabilities	84,464	62,079
Long-term liabilities:		
Long-term debt	195,000	110,000
Derivative liabilities - commodity derivatives	676	—
Asset retirement obligations	10,433	9,391
Deferred tax liability	84,722	73,989
Total long-term liabilities	290,831	193,380
Total liabilities	375,295	255,459
Stockholders' Equity:		
Common stock, $0.0001 par value, 431,000,000 shares authorized, 136,424,207 and 136,040,777 issued at September 30, 2024 and December 31, 2023, respectively	14	14
Additional paid-in capital	654,857	653,174
Retained earnings	42,051	54,782
Treasury stock, at cost, 5,680,255 and 5,677,627 shares at September 30, 2024 and December 31, 2023, respectively	(36,342)	(36,325)
Total stockholders' equity	660,580	671,645
Total liabilities and stockholders' equity	$ 1,035,875	$ 927,104

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE RIDGE RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

(in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenues:				
Oil and natural gas sales	$ 94,075	$ 108,404	$ 273,723	$ 287,271
Operating costs and expenses:				
Lease operating expenses	13,026	16,935	42,174	45,113
Production and ad valorem taxes	6,345	7,790	18,975	19,810
Depletion and accretion expense	44,149	44,267	126,682	113,088
Impairments of unproved properties	—	—	732	—
Exploration expense	283	1,560	283	1,560
General and administrative (including non-cash stock-based compensation of $588 and $1,683 for the three and nine months ended September 30, 2024)	5,590	5,249	18,705	21,839
Total operating costs and expenses	69,393	75,801	207,551	201,410
Net operating income	24,682	32,603	66,172	85,861
Other income (expense):				
Gain (loss) on derivatives - commodity derivatives	11,841	(8,129)	7,895	6,415
Interest expense	(4,820)	(1,356)	(13,797)	(2,906)
Loss on derivatives - common stock warrants	—	(8)	—	(5,742)
Loss on equity investments	(18,320)	—	(19,315)	—
Dividend income	—	—	269	—
Other	1	—	2	—
Total other income (expense)	(11,298)	(9,493)	(24,946)	(2,233)
Income before income taxes	13,384	23,110	41,226	83,628
Income tax expense	4,330	5,153	10,845	20,068
Net income	$ 9,054	$ 17,957	$ 30,381	$ 63,560
Net income per share:				
Basic	$ 0.07	$ 0.13	$ 0.23	$ 0.48
Diluted	$ 0.07	$ 0.13	$ 0.23	$ 0.48
Weighted-average number of shares outstanding:				
Basic	130,204	134,396	130,182	133,426
Diluted	130,242	134,421	130,219	133,440

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE RIDGE RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

Three Months Ended September 30, 2024							
	Common Stock Issued		Additional Paid-in	Retained	Treasury Stock		Total Stockholders'
(in thousands)	Shares	Amount	Capital	Earnings	Shares	Amount	Equity
As of June 30, 2024	136,424	$ 14	$ 654,269	$ 47,380	(5,680)	$ (36,342)	$ 665,321
Stock-based compensation	—	—	588	—	—	—	588
Common stock dividend declared ($0.11 per share)	—	—	—	(14,383)	—	—	(14,383)
Net income	—	—	—	9,054	—	—	9,054
As of September 30, 2024	136,424	$ 14	$ 654,857	$ 42,051	(5,680)	$ (36,342)	$ 660,580

Three Months Ended September 30, 2023							
	Common Stock Issued		Additional Paid-in	Retained	Treasury Stock		Total Stockholders'
(in thousands)	Shares	Amount	Capital	Earnings	Shares	Amount	Equity
As of June 30, 2023	135,949	$ 14	$ 609,909	$ 48,610	(972)	$ (6,208)	$ 652,325
Stock-based compensation	—	—	379	—	—	—	379
Purchase of treasury stock	—	—	—	—	(868)	(6,366)	(6,366)
Common stock dividend declared ($0.11 per share)	—	—	—	(14,809)	—	—	(14,809)
Common stock issued in warrant exchange	104	—	689	—	—	—	689
Common stock issued for exercise of warrants	1	—	5	—	—	—	5
Net income	—	—	—	17,957	—	—	17,957
As of September 30, 2023	136,054	$ 14	$ 610,982	$ 51,758	(1,840)	$ (12,574)	$ 650,180

Nine Months Ended September 30, 2024							
	Common Stock Issued		Additional Paid-in	Retained	Treasury Stock		Total Stockholders'
(in thousands)	Shares	Amount	Capital	Earnings	Shares	Amount	Equity
As of January 1, 2024	136,041	$ 14	$ 653,174	$ 54,782	(5,678)	$ (36,325)	$ 671,645
Grants of restricted stock	383	—	—	—	—	—	—
Stock-based compensation	—	—	1,683	—	—	—	1,683
Purchase of treasury stock	—	—	—	—	(2)	(17)	(17)
Common stock dividend declared ($0.33 per share)	—	—	—	(43,112)	—	—	(43,112)
Net income	—	—	—	30,381	—	—	30,381
As of September 30, 2024	136,424	$ 14	$ 654,857	$ 42,051	(5,680)	$ (36,342)	$ 660,580

Nine Months Ended September 30, 2023							
	Common Stock Issued		Additional Paid-in	Retained	Treasury Stock		Total
(in thousands)	Shares	Amount	Capital	Earnings	Shares	Amount	Stockholders' Equity
As of December 31, 2022	133,295	$ 13	$ 590,232	$ 32,388	(26)	$ (229)	$ 622,404
Adoption of ASU No. 2016 -13 (Note 2)	—	—	—	(118)	—	—	(118)
As of January 1, 2023	133,295	$ 13	$ 590,232	$ 32,270	(26)	$ (229)	$ 622,286
Grants of restricted stock	403	—	—	—	—	—	—
Cancellation of vesting shares	(221)	—	—	—	—	—	—
Vesting shares	—	—	1,287	—	—	—	1,287
Stock-based compensation	—	—	1,813	—	—	—	1,813
Purchase of treasury stock	—	—	—	—	(1,814)	(12,345)	(12,345)
Common stock dividend declared ($0.33 per share)	—	—	—	(44,072)	—	—	(44,072)
Common stock issued in warrant exchange	2,576	1	17,645	—	—	—	17,646
Common stock issued for exercise of warrants	1	—	5	—	—	—	5
Net income	—	—	—	63,560	—	—	63,560
As of September 30, 2023	136,054	$ 14	$ 610,982	$ 51,758	(1,840)	$ (12,574)	$ 650,180

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE RIDGE RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(in thousands)	Nine Months Ended September 30, 2024	2023
Operating activities:		
Net income	$ 30,381	$ 63,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and accretion expense	126,682	113,088
Abandonments expense	—	1,560
Impairments of unproved properties	732	—
(Gain) loss on derivatives - commodity derivatives	(7,895)	(6,415)
Net cash receipts from commodity derivatives	12,389	18,830
Stock-based compensation	1,683	1,813
Amortization of deferred financing costs	3,162	490
Loss on derivatives - common stock warrants	—	5,742
Unrealized loss on equity investments	19,415	—
Deferred income taxes	10,733	17,069
Other	(145)	(146)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Revenue receivable	14,429	(10,545)
Accrued expenses	(3,240)	2,627
Prepaid and other current assets	(877)	1,854
Other payable	87	3,165
Net cash provided by operating activities	207,536	212,692
Investing activities:		
Capital expenditures for oil and natural gas properties	(193,376)	(237,138)
Acquisition of oil and natural gas properties	(51,994)	(49,427)
Proceeds from sale of oil and natural gas properties	3,064	60
Proceeds from sale of equity investments	3,362	—
Refund of advances to operators	5,314	—
Net cash used in investing activities	(233,630)	(286,505)
Financing activities:		
Proceeds from borrowing on credit facilities	85,000	117,500
Repayments of borrowing on credit facilities	—	(32,500)
Deferred financing costs	(3,004)	(28)
Payment of expenses related to formation of Granite Ridge Resources, Inc.	—	(43)
Purchase of treasury shares	(418)	(11,765)
Proceeds from issuance of common stock	—	5
Payment of dividends	(43,112)	(44,072)
Net cash provided by financing activities	38,466	29,097
Net change in cash and restricted cash	12,372	(44,716)
Cash and restricted cash at beginning of period	10,730	51,133
Cash and restricted cash at end of period	$ 23,102	$ 6,417
Supplemental disclosure of non-cash investing activities:		
Oil and natural gas property development costs in accrued expenses	$ 40,003	$ (13,068)
Advances to operators applied to development of oil and natural gas properties	$ 80,320	$ 88,463
Cash and restricted cash:		
Cash	$ 23,102	$ 6,117
Restricted cash included in other long-term assets	—	300
Cash and restricted cash	$ 23,102	$ 6,417

The accompanying notes are an integral part of these condensed consolidated financial statements.

GRANITE RIDGE RESOURCES, INC.
Notes to Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

Granite Ridge Resources, Inc. (together with its consolidated subsidiaries, "Granite Ridge" or the "Company") is a Delaware corporation, initially formed in May 2022, whose common stock is listed and traded on the New York Stock Exchange ("NYSE"). The Company was created for the purpose of the Business Combination (as defined below), and following the Business Combination, for the purpose of purchasing non-operated oil and natural gas assets in multiple basins in North America and realizing profits through participation in oil and natural gas wells.

On October 24, 2022, the Business Combination closed and was accounted for as a reverse recapitalization and Grey Rock Energy Fund III (as defined below) was determined to be the accounting acquirer and Predecessor (as defined below).

Business Combination

On October 24, 2022 (the "Closing Date"), Granite Ridge and Executive Network Partnering Corporation, a Delaware corporation ("ENPC"), consummated the Business Combination pursuant to the terms of the Business Combination Agreement, dated as of May 16, 2022 (the "Business Combination Agreement"), by and among ENPC, Granite Ridge, ENPC Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Granite Ridge ("ENPC Merger Sub"), GREP Merger Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Granite Ridge ("GREP Merger Sub"), and Granite Ridge Holdings, LLC, a Delaware limited liability company formerly known as GREP Holdings, LLC ("GREP").

Pursuant to the Business Combination Agreement, on the Closing Date, (i) ENPC Merger Sub merged with and into ENPC (the "ENPC Merger"), with ENPC surviving the ENPC Merger as a wholly-owned subsidiary of Granite Ridge and (ii) GREP Merger Sub merged with and into GREP (the "GREP Merger," and together with the ENPC Merger, the "Mergers"), with GREP surviving the GREP Merger as a wholly-owned subsidiary of Granite Ridge (the transactions contemplated by the foregoing clauses (i) and (ii) the "Business Combination," and together with the other transactions contemplated by the Business Combination Agreement, the "Transactions").

Immediately prior to the closing of the Transactions, the net assets of Grey Rock Energy Fund, L.P., a Delaware limited partnership ("Fund I"), Grey Rock Energy Fund II, L.P., a Delaware limited partnership ("Fund II-A"), Grey Rock Energy Fund II-B, L.P., a Delaware limited partnership ("Fund II-B"), and Grey Rock Energy Fund II-B Holdings, L.P., a Delaware limited partnership ("Fund II-B Holdings", and together with Fund II-A and Fund II-B, collectively, "Fund II"), and Grey Rock Energy Fund III-A, L.P., a Delaware limited partnership ("Fund III-A"), Grey Rock Energy Partners Fund III-B, L.P., a Delaware limited partnership ("Fund III-B"), and Grey Rock Energy Fund III-B Holdings, L.P., a Delaware limited partnership ("Fund III-B Holdings" and together with Fund III-A and Fund III-B, collectively, "Fund III" or "Predecessor") were transferred (through various intermediary entities) to GREP (the "GREP Formation Transaction"). Fund I, Fund II and Fund III are collectively referred to herein as the "Funds".

At the special meeting of ENPC stockholders held in connection with the Business Combination, of the 41,400,000 shares of ENPC Class A common stock, public stockholders of 39,343,496 shares of ENPC Class A common stock exercised their rights to have those shares redeemed for cash at a redemption price of approximately $10.07 per share, or an aggregate of approximately $396.1 million. The holders of membership interests in GREP (the "Existing GREP Members") and their direct and indirect members were issued 130.0 million shares of Granite Ridge common stock at the closing. Upon consummation of the Business Combination, each public stockholder's ENPC common stock and ENPC warrants were automatically converted into an equivalent number of shares of Granite Ridge common stock and Granite Ridge warrants as a result of the Transactions. At the effective time of the Mergers, (i) 495,357 shares of ENPC Class F common stock were converted to 1,238,393 shares of ENPC Class A common stock (of which an aggregate of 220,348 shares were subsequently forfeited pursuant to the terms of the Sponsor Agreement, dated as of May 16, 2022, by and among ENPC, Granite Ridge, and certain other parties thereto (the "Sponsor Agreement")) and the remaining shares of ENPC Class F common stock outstanding were automatically cancelled for no consideration (the "ENPC Class F Conversion") (ii) all other remaining shares of ENPC Class A common stock automatically cancelled without any conversion, payment or distribution (the "Sponsor Share Cancellation") and (iii) all shares of ENPC Class B common stock outstanding were deemed transferred to ENPC and surrendered and forfeited for no consideration (the "ENPC Class B Contribution"). In January 2023, 220,348 of the 371,518 shares subject to vesting and forfeiture provisions under the terms of the Sponsor Agreement were forfeited.

Following the ENPC Class F Conversion, the Sponsor Share Cancellation, the ENPC Class B Contribution and the separation of the securities offered in ENPC's initial public offering, which consisted of one share of Class A common stock and one-quarter of one ENPC warrant ("CAPS™ Separation"), each share of ENPC Class A common stock outstanding was automatically converted into one share of Granite Ridge common stock. Total aggregate investment by ENPC was $6.8 million, which amount represents total risk capital contributed by ENPC, including working capital loans that were forgiven.

Warrant Exchange

On October 24, 2022, in connection with the Business Combination, the Company issued 10,349,975 common stock warrants. On June 22, 2023, the Company completed an offer to holders of its outstanding warrants which provided such holders the opportunity to receive 0.25 shares of the Company's common stock in exchange for each warrant tendered by such holders (the "Offer"). This Offer coincided with a solicitation of consents from holders of the warrants to amend the warrant agreement governing such warrants to permit the Company to require that each warrant that remained outstanding upon the closing of the Offer be exchanged for 0.225 shares of the Company's common stock (together with the Offer, the "Warrant Exchange"). On June 22, 2023, the Company issued 2,471,738 shares of common stock in exchange for 9,887,035 warrants tendered in the Offer, with a minimal cash settlement in lieu of partial shares. In July 2023, each remaining outstanding warrant was converted into 0.225 shares of the Company's common stock, and subsequently, no warrants remained outstanding. See Note 9 for further discussion of the Warrant Exchange.

2. Summary of Significant Accounting Policies

A complete discussion of the Company's significant accounting policies is included in the 2023 Form 10-K.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and all other wholly owned subsidiaries created in connection with the Business Combination. References to the "Company" prior to October 24, 2022 refer to the combined business of the Funds and references after October 24, 2022 refer to the consolidated business of Granite Ridge. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company operates in one operating segment, which is oil and natural gas development, exploration and production. All of our operations are conducted in the geographic area of the United States. The Company's chief operating decision maker manages operations on a consolidated basis for purposes of evaluating operations and allocating resources.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates of reserves are used to determine depletion and to conduct impairment analysis. Estimating reserves is inherently uncertain, including the projection of future rates of production and the timing of development expenditures.

The Company's estimates of oil and natural gas reserves are, by necessity, projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effect of regulations by governmental agencies, and assumptions governing future oil and natural gas prices, future operating costs, severance taxes, development costs and workover costs, all of which may in fact

vary considerably from actual results. The future drilling costs associated with reserves assigned to proved undeveloped locations may ultimately increase to the extent that these reserves are later determined to be uneconomic. For these reasons, estimates of the economically recoverable quantities of expected oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity of the reserves, which could affect the carrying value of the Company's oil and natural gas properties and/or the rate of depletion related to the oil and natural gas properties.

Additional significant estimates include, but are not limited to, fair value of derivative financial instruments, fair value of equity investments, fair value of business combinations, asset retirement obligations, revenue receivable and income taxes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Interim Financial Statements

The accompanying condensed consolidated financial statements of the Company have not been audited by the Company's independent registered public accounting firm, except that the condensed consolidated balance sheet at December 31, 2023 is derived from audited consolidated financial statements. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments necessary to present fairly the Company's condensed consolidated financial statements. All such adjustments are of a normal, recurring nature. In preparing the accompanying condensed consolidated financial statements, management has made certain estimates and assumptions that affect reported amounts in the condensed consolidated financial statements. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

Certain disclosures have been condensed in or omitted from these condensed consolidated financial statements. Accordingly, these notes to the condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's 2023 Form 10-K.

Revenue Receivable

Revenue receivable is comprised of accrued oil and natural gas sales. The operators remit payment for production directly to the Company. In the event of complete non-performance by the Company's customers, the maximum exposure to the Company is the outstanding revenue receivable balance at the date of non-performance. The Company monitors this exposure primarily by reviewing credit ratings, financial statements and payment history. Revenue receivables are generally unsecured and typically received from the operator one to three months after production. The Company had an allowance for expected credit losses of $0.2 million at September 30, 2024 and $0.2 million at December 31, 2023, which was based on a historical loss rate.

The Company considers forecasts of future economic conditions in the estimate of its expected credit losses, in particular whether there is an increase in the probability that the Company's counterparties are unable to pay their obligations when due, and adjusts its allowance for expected credit losses when necessary.

Advance to Operators

The Company participates in the drilling of oil and natural gas wells with other working interest partners. Due to the capital-intensive nature of oil and natural gas drilling activities, partner operators may request advance payments from working interest partners for their share of the costs. The Company expects such advances to be applied by these operators against joint interest billings for its share of drilling operations within 90 days from when the advance is paid. Changes in advances to operators are presented as an investing outflow within capital expenditures for oil and natural gas properties on the condensed consolidated statements of cash flows.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and gas producing activities, as further defined under Accounting Standards Codification ("ASC") 932, *Extractive Activities - Oil and Gas* ("ASC 932"). Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory leases that find proved reserves, and to drill and equip development leases and related asset retirement costs are capitalized. Costs to drill exploratory wells are capitalized pending determinations of whether the wells have proved reserves. If the Company determines that the wells do not have proved reserves, the costs are charged to expense.

Capitalized leasehold costs relating to proved properties are depleted using the unit-of-production method based on proved reserves. The depletion of capitalized drilling and development costs and integrated assets is based on the unit-of-production method using proved developed reserves. The Company recognized depletion expense of $43.9 million and $44.1 million for the three months ended September 30, 2024 and 2023, respectively, and $126.1 million and $112.7 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company reviews its long-lived assets to be held and used, including proved oil and natural gas properties, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable; for instance, when there are declines in commodity prices or well performance. An impairment loss is indicated if the sum of the expected undiscounted future net cash flows is less than the carrying amount of the assets. For each property determined to be impaired, an impairment loss equal to the difference between the carrying value of the properties and the estimated fair market value as determined by discounted future cash flows using a discount rate similar to that used by market participants, or comparable market value if available, is recognized at that time. Estimating future cash flows involves the use of judgments, including estimation of the proved and risk-adjusted unproved oil and natural gas reserve quantities, timing of development and production, expected future commodity prices, capital expenditures and production costs and cash flows from integrated assets. There was no proved property impairment recorded for the three or nine months ended September 30, 2024 or 2023.

Unproved oil and natural gas properties are periodically assessed for impairment by considering future drilling and exploration plans, results of exploration activities, commodity price outlooks, planned future sales and expiration of all or a portion of the projects. The Company did not record any unproved property impairment for the three months ended September 30, 2024 but recorded unproved property impairment of $0.7 million for the nine months ended September 30, 2024 in the Permian Basin as the operator no longer intends to drill certain locations. There was no unproved property impairment recorded for the three or nine months ended September 30, 2023.

Derivative Instruments- Commodity Derivatives

The Company recognizes its derivative instruments as either assets or liabilities measured at fair value. The Company nets the fair value of the derivative instruments by counterparty in the accompanying condensed consolidated balance sheets when the right of offset exists. The Company does not have any derivatives designated as fair value or cash flow hedges.

Derivative Instruments- Common Stock Warrants

Prior to the Warrant Exchange, the Company accounted for warrants as liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in ASC Topic 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). The warrants were required to be recorded at their initial fair value on the date of issuance and each balance sheet date thereafter. Changes in the estimated fair value of the warrants were recognized as a non-operating gain or loss in the condensed consolidated statements of operations. For the period during which the Company's common stock was publicly traded, the fair value of the warrants was based on quoted prices in an active market.

On June 22, 2023, the Company issued 2,471,738 shares of common stock in exchange for 9,887,035 warrants tendered in the Offer. In July 2023, each remaining outstanding warrant was converted into 0.225 shares of the Company's common stock, and subsequently, no warrants remained outstanding. See Note 9 for further discussion of the Warrant Exchange.

Equity Investments

In December 2023, the Company completed the sale of certain of its Permian Basin assets to Vital Energy, Inc. ("Vital Energy") for consideration of 561,752 shares of Vital Energy's common stock and 541,155 shares of Vital Energy's 2.0% cumulative mandatorily convertible preferred securities. On June 4, 2024, the 2.0% cumulative mandatorily convertible preferred securities were converted into the equivalent number of shares of Vital Energy's common stock. During the three months ended September 30, 2024 the Company divested 75,000 shares of Vital Energy's common stock and realized a gain on sale of $0.1 million included in loss on equity investments within the Company's condensed consolidated statements of operations. As of September 30, 2024, the Company held 1,027,907 shares of Vital Energy's common stock.

The Company follows the guidance in ASC 321, *Investments - Equity Securities* ("ASC 321") for its investment in the common and preferred stock of Vital Energy. ASC 321 requires equity investments with readily determinable fair values to be measured at fair value, with unrealized holding gains and losses recorded as a gain or loss in the condensed consolidated statements of operations. For the preferred stock that did not have a readily determinable fair value, the Company did not elect the measurement alternative in ASC 321 and instead accounted for the preferred stock at fair value with unrealized gains and losses recorded through net income for the periods until the preferred stock was converted into common stock. For the three and nine months ended September 30, 2024, an unrealized loss of $18.4 million and $19.4 million, respectively, is included in loss on equity investments within the condensed consolidated statements of operations that reflects the change in fair value of the common stock.

Revenue Recognition

The Company's revenues are primarily derived from its interests in the sale of oil and natural gas production. The Company recognizes revenue from its interests in the sales of oil and natural gas in the period that its performance obligations are satisfied.

Performance obligations are satisfied when the customer obtains control of the product, when the Company has no further obligations to perform related to the sale, when the transaction price has been determined, and when collectability is probable.

The Company receives payment from the sale of oil and natural gas production from one to three months after delivery. The transaction price is variable as it is based on market prices for oil and natural gas, less revenue deductions such as gathering, transportation, and compression costs. Management has determined that the variable revenue constraint is overcome at the date control passes to the customer since the variable consideration to be received can be reasonably estimated based on daily market prices and historical transportation charges. Revenue is presented net of these costs within the condensed consolidated statements of operations. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated, and amounts due from customers are accrued in revenue receivable in the balance sheets. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received; however, differences have been and are insignificant.

The Company does not disclose the value of unsatisfied performance obligations under its contracts with customers as it applies the practical expedient in accordance with ASC 606. The expedient, as described in ASC 606-10-50-14(a), applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required.

Non-operated Crude Oil and Natural Gas Revenues

The Company's proportionate share of production from non-operated properties is generally marketed at the discretion of the operators. For non-operated properties, the Company receives a net payment from the operator representing its proportionate share of sales proceeds which is net of transportation and production tax costs incurred by the operator, if any. Such non-operated revenues are recognized at the net amount of proceeds to be received by the Company during the month in which production occurs and it is probable the Company will collect the consideration it is entitled to receive. Proceeds are generally received by the Company within one to three months after the month in which production occurs.

Take in Kind Oil and Natural Gas Revenues

Under certain arrangements, the Company has the right to take a volume of processed residue gas and/or natural gas liquids ("NGLs") in kind at the tailgate of the midstream customer's processing plant in lieu of receiving a net payment from the operator representing its proportionate share of its natural gas production. The Company currently takes certain processed gas volumes in kind in lieu of monetary settlement but does not currently take NGL volumes in kind. When the Company elects to take volumes in kind, it pays third parties to transport the processed products it took in kind to downstream delivery points, where it then sells to customers at prices applicable to those downstream markets. In such situations, revenues are recognized during the month in which control transfers to the customer at the delivery point and it is probable the Company will collect the consideration it is entitled to receive. Sales proceeds are generally received by the Company within one month after the month in which a sale has occurred. In these scenarios, gathering and processing costs and transportation expenses the Company incurs to transport the processed products to downstream customers are recorded in lease operating expenses on the condensed consolidated statements of operations.

The Company's disaggregated revenue has two primary sources: oil sales and natural gas sales. Substantially all of the Company's oil and natural gas sales come from five geographic areas in the United States: the Eagle Ford Basin (Texas), the Permian Basin (Texas/New Mexico), the Haynesville Basin (Texas/Louisiana), the Denver-Julesburg "DJ" Basin (Colorado), and the Bakken Basin (Montana/North Dakota). The following tables present the disaggregation of the Company's oil revenues and natural gas revenues by basin for the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Oil	$ 85,503	$ 88,210	$ 238,761	$ 230,755
Natural gas	8,572	20,194	34,962	56,516
Total	$ 94,075	$ 108,404	$ 273,723	$ 287,271
Permian	$ 62,004	$ 66,586	$ 168,178	$ 168,920
Eagle Ford	13,419	12,279	42,946	34,000
Bakken	9,940	14,005	31,288	39,124
Haynesville	3,229	5,968	12,176	20,001
DJ	5,483	9,566	19,135	25,226
Total	$ 94,075	$ 108,404	$ 273,723	$ 287,271

Stock-Based Compensation

Stock-based compensation expense is recognized in the Company's condensed consolidated financial statements on an accelerated basis over the awards' vesting periods based on their grant date fair values. Restricted stock awards are valued at the closing price of the Company's common stock on the date of grant. The Company utilizes the Monte Carlo simulation method to determine the fair value of certain performance stock units ("PSUs"), the Black-Scholes model for options issued at-the-money, and a binomial lattice model for other stock options. The Company recognizes forfeitures of stock-based compensation awards as they occur.

Recently Issued and Applicable Accounting Pronouncements (Issued and Not Yet Adopted)

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," ("ASU 2023-07") which requires public entities, including public entities with a single reportable segment, to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 was effective for annual periods beginning after December 15, 2023, and is effective for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently assessing the effect that ASU 2023-07 will have on its disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Improvements to Income Tax Disclosures," ("ASU 2023-09") which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company has not early adopted the standard and is currently assessing the effect that ASU 2023-09 will have on its disclosures.

Recently Issued and Applicable Accounting Pronouncements (Issued and Adopted)

The FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which replaced the "incurred loss" methodology for recognizing credit losses with an "expected loss" methodology. This new methodology requires that a financial asset measured at amortized cost be presented at the net amount expected to be collected. This standard is intended to provide more timely decision-useful information about the expected credit losses on financial instruments. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's condensed consolidated financial statements or related disclosures. Revenue receivables is the primary financial asset that is within the scope of the new guidance. A loss-rate method is applied to the receivables to estimate credit losses. The Company recognized a tax-effected $0.1 million non-cash cumulative effect adjustment to retained earnings on its opening consolidated balance sheet at January 1, 2023 to record an allowance for expected credit losses associated with the Company's revenue receivables.

In June 2022, the FASB issued ASU No. 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," ("ASU 2022-03") which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. ASU 2022-03 also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction and requires specific disclosures for equity securities subject to contractual sale restrictions such as the fair value of equity securities subject to contractual sale restrictions, the nature and remaining duration of the restrictions and the circumstances that could cause a lapse in the restriction. ASU 2022-03 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, with early application permitted. The adoption of ASU 2022-03 did not have a significant impact on the Company's condensed consolidated financial statements.

3. Derivative Financial Instruments

The Company uses derivative financial instruments in connection with its oil and natural gas operations to provide an economic hedge of the Company's exposure to commodity price risk associated with anticipated future oil and natural gas production. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

The Company does not designate its derivative instruments to qualify for hedge accounting. Accordingly, the Company reflects changes in the fair value of its derivative instruments in its condensed consolidated statements of operations as they occur.

Collar Option Contracts and Swaps

The Company's derivative financial instruments consist of collar option contracts and swaps.

A collar option is established with the sale of a short call option (ceiling price) and the purchase of a long put option (floor price) set to expire at a predetermined date in the future. The options give the owner the right but not the obligation to exercise the option at the expiration date.

When the settlement price is below the established floor price, the Company receives an amount from its counterparty equal to the difference between the settlement price and the floor price multiplied by the hedged contract volume. When the settlement price is above the established ceiling price, the Company pays its counterparty an amount equal to the difference between the settlement price and the ceiling price multiplied by the hedged contract volume. When the settlement price is between the established floor and the ceiling, no amounts are due to or from the counterparty.

A swap contract allows the Company to receive a fixed price and pay a floating market price to the counterparty for the hedged commodity.

The Company has master netting agreements on individual derivative instruments with its counterparties and therefore certain amounts may be presented on a net basis in the condensed consolidated balance sheets.

Volume of Derivative Activities

The following table sets forth the Company's outstanding commodity derivative contracts as of September 30, 2024.

	Q4 2024	2025	2026
Collar (oil)			
Volume (Bbl)	311,496	1,898,739	—
Weighted-average floor price ($/Bbl)	$ 64.13	$ 60.93	$ —
Weighted-average ceiling price ($/Bbl)	$ 84.97	$ 79.86	$ —
Swaps (oil)			
Volume (Bbl)	128,277	—	—
Weighted-average price ($/Bbl)	$ 79.30	$ —	$ —
Collar (natural gas)			
Volume (Mcf)	1,899,000	9,439,829	7,650,176
Weighted-average floor price ($/Mcf)	$ 3.50	$ 3.15	$ 3.28
Weighted-average ceiling price ($/Mcf)	$ 5.12	$ 4.13	$ 4.01
Swaps (natural gas)			
Volume (Mcf)	1,895,588	2,585,050	656,000
Weighted-average price ($/Mcf)	$ 3.55	$ 3.18	$ 3.31

The following table summarizes the amounts reported in the condensed consolidated statements of operations related to the commodity derivative instruments for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Gain (loss) on commodity derivatives				
Oil derivatives	$ 8,423	$ (9,808)	$ 1,863	$ (4,906)
Natural gas derivatives	3,418	1,679	6,032	11,321
Total	$ 11,841	$ (8,129)	$ 7,895	$ 6,415

The following table represents the Company's net cash receipts from commodity derivatives for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Net cash receipts from commodity derivatives				
Oil derivatives	$ 637	$ 119	$ 358	$ 3,912
Natural gas derivatives	5,092	4,300	12,031	14,918
Total	$ 5,729	$ 4,419	$ 12,389	$ 18,830

Common Stock Warrants

On October 24, 2022, in connection with the Business Combination, the Company issued 10,349,975 common stock warrants. Each warrant entitled the holder to purchase one share of Granite Ridge's common stock at an exercise price of $11.50 per share. The common stock warrants became exercisable 30 days after the completion of the Business Combination and 461 common stock warrants were exercised during the period they were outstanding.

The Company recorded a loss of $5.7 million during the nine months ended September 30, 2023 from the change in fair value of the warrant liability in the condensed consolidated statements of operations. On June 22, 2023, the Company issued 2,471,738 shares of common stock in exchange for 9,887,035 warrants tendered in the Offer, with a minimal cash settlement in lieu of partial shares. In July 2023, each remaining outstanding warrant was converted into 0.225 shares of the Company's common stock, and subsequently, no warrants remained outstanding. The warrants exchanged in the Offer were marked to fair value on the date of settlement, and the liability of $17.0 million and $0.7 million related to the exchanged common stock warrants was removed from the condensed consolidated balance sheet in June 2023 and July 2023, respectively, and the issuance of shares of the Company's common stock was reflected in stockholders' equity. See Note 9 for further discussion of the Warrant Exchange.

4. Fair Value Measurements

The Company has adopted and follows ASC 820, *Fair Value Measurements and Disclosures*, for measurement and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by ASC 820 are:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

As defined by ASC 820, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, which was further clarified as the price that would be received to sell an asset or paid to transfer a liability ("an exit price") in an orderly transaction between market participants at the measurement date.

As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents the carrying amounts and fair values of the Company's financial instruments as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
(in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:				
Derivative instruments - commodity derivatives	$ 8,489	$ 8,489	$ 12,306	$ 12,306
Equity instruments	$ 27,651	$ 27,651	$ 50,427	$ 50,427
Liabilities:				
Revolving credit facilities	$ 195,000	$ 195,000	$ 110,000	$ 110,000
Derivative instruments - commodity derivatives	$ 676	$ 676	$ —	$ —

Revolving credit facilities — The carrying amounts of the revolving credit facilities approximate their fair values, as the applicable interest rates are variable and reflective of market rates.

Other financial assets and liabilities — The carrying amounts of the Company's other financial assets and liabilities, such as revenue receivable and accrued expenses due to sellers, approximate their fair values because of the short maturity of these instruments.

Derivative instruments - commodity derivatives — The fair value of the Company's derivative instruments is estimated by management considering various factors, including closing exchange and over-the-counter quotations and the time value of the underlying commitments. The fair value of the Company's commodity derivative instruments is considered to be a Level 2 measurement. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace. The Company's valuation models are primarily industry-standard models that consider various inputs including: (i) quoted forward prices for commodities, (ii) current market and contractual prices for the underlying instruments, (iii) applicable credit-adjusted risk-free rate curves, as well as other relevant economic measures.

*Equity investment*s — The fair value of the Company's investment in Vital Energy's common stock was valued using the instrument's publicly listed trading price, which is considered to be a Level 1 measurement due to the use of an observable market quote in an active market. Prior to conversion, the fair value of the Company's investment in Vital Energy's preferred stock was estimated by management considering various factors, including the publicly listed trading price of Vital Energy's common shares and the present value of expected dividends. The fair value of the investment in preferred stock was considered to be a Level 2 measurement. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

On June 4, 2024, the 2.0% cumulative mandatorily convertible preferred securities of Vital Energy were converted into 541,155 shares of common stock of Vital Energy. Prior to this conversion, the common shares of Vital Energy owned by the Company were not entitled to vote and bore a restricted legend to that effect. As of September 30, 2024, the Company held 1,027,907 shares of Vital Energy's common stock, for which the fair value is a Level 1 measurement.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The following tables summarize (i) the valuation of each of the Company's financial instruments by required fair value hierarchy levels and (ii) the gross fair value by the appropriate balance sheet classification even when the derivative instruments are subject to netting arrangements and qualify for net presentation in the Company's condensed

consolidated balance sheets as of September 30, 2024 and December 31, 2023. The Company nets the fair value of commodity derivative instruments by counterparty in the Company's condensed consolidated balance sheets.

	September 30, 2024					
	Fair Value Measurement Using					
(in thousands)	Level 1	Level 2	Level 3	Total Fair Value	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Fair Value Presented in the Condensed Consolidated Balance Sheet
Equity investments	$ 27,651	$ —	$ —	$ 27,651	$ —	$ 27,651
Assets (at fair value):						
Commodity derivatives – current portion	$ —	$ 13,092	$ —	$ 13,092	$ (4,603)	$ 8,489
Commodity derivatives – noncurrent portion	—	5,636	—	5,636	(5,636)	—
Liabilities (at fair value):						
Commodity derivatives – current portion	—	(4,603)	—	(4,603)	4,603	—
Commodity derivatives – noncurrent portion	—	(6,312)	—	(6,312)	5,636	(676)
Net derivative instruments	$ —	$ 7,813	$ —	$ 7,813	$ —	$ 7,813

	December 31, 2023					
	Fair Value Measurement Using					
(in thousands)	Level 1	Level 2	Level 3	Total Fair Value	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Fair Value Presented in the Condensed Consolidated Balance Sheet
Equity investments - common stock	$ 25,554	$ —	$ —	$ 25,554	$ —	$ 25,554
Equity investments - preferred stock	—	24,873	—	24,873	—	24,873
Total equity investments	$ 25,554	$ 24,873	$ —	$ 50,427	$ —	$ 50,427
Assets (at fair value):						
Commodity derivatives – current portion	$ —	$ 14,202	$ —	$ 14,202	$ (3,085)	$ 11,117
Commodity derivatives – noncurrent portion	—	2,534	—	2,534	(1,345)	1,189
Liabilities (at fair value):						
Commodity derivatives – current portion	—	(3,085)	—	(3,085)	3,085	—
Commodity derivatives – noncurrent portion	—	(1,345)	—	(1,345)	1,345	—
Net derivative instruments	$ —	$ 12,306	$ —	$ 12,306	$ —	$ 12,306

5. Acquisitions and Divestitures

2024 Acquisitions

During the nine months ended September 30, 2024 and 2023, the Company acquired various oil and natural gas properties. The following table presents the cumulative adjusted purchase price of transactions accounted for as asset acquisitions in accordance with Accounting Standards Codifications ("ASC") Topic 805, *Business Combinations* ("ASC 805") by basin included in oil and gas properties on the Company's condensed consolidated balance sheets:

	Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**
Permian	43,922	22,794
Eagle Ford	—	490
Bakken	1,981	—
Haynesville	—	2,079
DJ	5,325	17,418
Appalachian	3,111	—
Total	$ 54,339	$ 42,781

In addition, during the nine months ended September 30, 2024, the Company recorded closing adjustments that reduced the acquisition price of business combinations completed during 2023 by $1.5 million.

2024 Divestitures

During the nine months ended September 30, 2024, the Company sold partial interests in certain proved and unproved properties in exchange for total consideration of $3.9 million.

2023 Business Combination

In September 2023, the Company closed on an acquisition treated as a business combination where it received proved developed producing oil and natural gas properties with approximately 281 net acres. The properties are located in the Permian, Eagle Ford and DJ basins. Total adjusted consideration of $8.2 million was paid for these oil and natural gas properties. Asset retirement obligations acquired were $0.2 million.

6. Stock Incentive Plan

The Granite Ridge Resources, Inc. 2022 Omnibus Incentive Plan (the "Plan") provides the Company the ability to grant, among other award types, stock options, restricted stock awards, and PSUs to directors, officers, employees and consultants or advisors employed by or providing service to the Company.

During the first quarter of 2024, the Company granted restricted stock awards, stock options, and PSUs. Stock-based compensation expense during the three and nine months ended September 30, 2024 was $0.6 million and $1.7 million, respectively. During the first quarter of 2023, the Company granted restricted stock awards, fully vested stock awards, stock options, and PSUs. Stock-based compensation expense during the three and nine months ended September 30, 2023 was $0.4 million and $1.8 million, respectively.

Restricted Stock Awards - The Company has granted restricted stock awards to certain of its employees and consultants under the Plan. Restricted stock awards are valued at the closing price of the Company's common stock on the date of grant. All restricted shares are legally issued and outstanding. If an employee terminates employment prior to the restriction lapse date, the awarded shares are forfeited and canceled and are no longer considered issued and outstanding. The holders of unvested restricted stock awards have voting rights and the right to receive dividends. The restricted stock awards generally vest ratably over a period of three years. The Company recognizes compensation expense utilizing graded vesting whereby compensation expense is recognized over the service period for each separately vesting tranche.

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PSUs - The Company has granted PSUs to certain of its officers under the Plan. The PSUs cliff vest at the end of three years, generally subject to continued employment through the performance period. The total number of shares eligible to be earned may range from zero to 200% of the target number of PSUs granted, determined based upon achievement of certain "financial performance" and "market performance" criteria for the Company and individual performance criteria for the officers awarded PSUs. Financial performance is based on the Company's financial performance at the end of the applicable performance period, while market performance is based on the relative standing of total shareholder return achieved by the Company compared to a predetermined group of peer companies at the end of the applicable performance period. Individual performance criteria are based on the officers' performance relative to individual performance goals at the end of the performance period. The Company utilizes the Monte Carlo simulation method to determine the fair value of the PSUs based on market performance, while the PSUs based on financial performance are valued based on the closing price of the Company's common stock on the date of grant.

Stock Options - The Company has granted stock options to certain of its officers under the Plan. The Company's outstanding stock options expire in 10 years following the date of grant. Pursuant to the stock options granted under the Plan, 33% of the options vest immediately with an additional 33% to vest on each of the next two anniversaries of the date of the grant, generally subject to continued employment through each such vesting date. During the first quarter of 2024, the Company granted 134,375 stock options with an exercise price of $6.06 per share. During the first quarter of 2023, the Company granted 72,108 stock options with an exercise price per share of $5.02 and 320,000 stock options with an exercise price per share of $9.22.

Stock Awards - The Company may issue other awards to its employees and consultants under the Plan. During the first quarter of 2023, the Company issued 94,007 fully vested stock awards as other awards to certain of its employees and consultants under the Plan. Weighted average grant date fair value of other awards was $8.51.

A summary of the Company's activity under the Plan for the restricted stock awards, PSUs and stock options for the nine months ended September 30, 2024 is presented below:

	Restricted Stock Awards	Performance Stock Units	Stock Options
Outstanding at December 31, 2023	295,990	26,574	392,108
Awards granted (1)	383,430	70,958	134,375
Awards vested (2)	(139,790)	—	—
Outstanding at September 30, 2024	539,630	97,532	526,483
(1) Weighted average grant date fair value per share/unit	$ 6.07	$ 8.64	$ 1.38
(2) Represents restricted stock and PSUs vested during the period. During the nine months ended September 30, 2024, 175,493 stock options vested. As of September 30, 2024, there were a total of 306,195 stock options exercisable.			

A summary of the Company's activity under the Plan for the restricted stock awards, PSUs and stock options for the nine months ended September 30, 2023 is presented below:

	Restricted Stock Awards	Performance Stock Units	Stock Options
Outstanding at December 31, 2022	—	—	—
Awards granted (1)	308,938	26,574	392,108
Awards vested (2)	—	—	(130,702)
Outstanding at September 30, 2023	308,938	26,574	261,406
(1) Weighted average grant date fair value per share/unit	$ 5.72	$ 6.01	$ 0.82
(2) Represents restricted stock and PSUs vested during the period. During the nine months ended September 30, 2023, 130,702 stock options vested and were exercisable as of September 30, 2023.			

7. Income Taxes

In 2022, the Company became the sole owner of GREP. GREP is a disregarded entity for U.S. federal income tax purposes. As a result of the Business Combination, the Funds' net assets were transferred to the Company resulting in carryover tax basis of those assets. The Company is a C corporation and subject to U.S. federal income tax and state and local income taxes.

The Company records income taxes through the use of an estimated annual effective tax rate and specific events that are discretely recognized as they occur. For the three and nine months ended September 30, 2024, the Company recorded income tax expense of $4.3 million and $10.8 million, respectively. For the three and nine months ended September 30, 2023, the Company recorded income tax expense of $5.2 million and $20.1 million, respectively.

At the end of each interim period, the Company applies an estimated annualized effective tax rate to the current period income or loss before income taxes, which can produce interim effective tax rate fluctuations. The Company's effective income tax rate was 32.4% and 26.3% for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, the Company's effective income tax rate was 22.3% and 24.0%, respectively. The effective tax rate differs from the enacted statutory rate of 21% primarily due to the impact of certain discrete items, such as adjusting deferred balances for filed tax returns, and state income taxes.

The Company has evaluated all tax positions for which the statute of limitations remains open and believes that the material positions taken would more likely than not be sustained upon examination. Therefore, as of September 30, 2024 and December 31, 2023, the Company had no unrecognized tax benefits and did not recognize any interest or penalties during those respective periods related to unrecognized tax benefits.

On August 16, 2022, the Inflation Reduction Act (the "IRA") was enacted into law and includes significant changes related to tax, climate change, energy and health care. The provisions within IRA, among other things, include (i) a new 15% corporate alternative minimum tax on certain large corporations, (ii) a new nondeductible 1% excise tax on the value of certain stock that a company repurchases, and (iii) various tax incentives for energy and climate initiatives. Each of these provisions was effective for tax years beginning after December 31, 2022. The Department of Treasury is expected to continue to publish regulations relevant to many aspects of the IRA. The Company currently does not believe that there will be a material impact on its cash taxes or income tax expense for the 2024 tax year or future periods but will continue to monitor potential impacts.

8. Debt

The carrying value of the Company's total debt was $195.0 million and $110.0 million at September 30, 2024 and December 31, 2023, respectively.

Granite Ridge Credit Agreement

On October 24, 2022, Granite Ridge entered into a senior secured revolving credit agreement with a syndicate of banks (as amended, the "Credit Agreement"). The Credit Agreement has a maturity date of five years from the effective date thereof.

The Credit Agreement initially provided for aggregate elected commitments of $150.0 million, a borrowing base of $325.0 million and an aggregate maximum revolving credit amount of $1.0 billion. The borrowing base is redetermined semiannually on or about April 1 and October 1 of each calendar year, and is subject to additional adjustments from time to time, including for asset sales, elimination or reduction of hedge positions and incurrence of other debt. On November 7, 2023, Granite Ridge entered into the First Amendment to the Credit Agreement (the "First Amendment") which, among other things, decreased the borrowing base from $ 325.0 million to $275.0 million and increased the aggregate elected commitments from $150.0 million to $240.0 million. This borrowing base decrease was a result of the disposition of certain assets in the Permian Basin to Vital Energy.

On April 1, 2024, the Company entered into the Resignation, Appointment, Assignment and Third Amendment to Credit Agreement (the "Third Amendment") by and among the Company, as borrower, Texas Capital Bank, as resigning administrative agent, Bank of America, N.A. ("Bank of America"), as successor administrative agent, and the lenders from time to time party thereto. The Third Amendment, among other things, (a) appointed Bank of America as administrative

agent and L/C Issuer (as defined therein), replacing Texas Capital Bank, (b) increased the size of the lender group by adding nine new banks, with one bank exiting the facility, (c) increased the borrowing base from $275.0 million to $300.0 million, and (d) increased the aggregate elected commitments from $240.0 million to $300.0 million. In connection with the Third Amendment and the increase in the size of the lender group, certain lenders decreased their commitment amounts and one bank exited the facility, which resulted in a write-off of $2.2 million in deferred financing costs that were previously capitalized in "other long-term assets" in the accompanying condensed consolidated balance sheets. This $2.2 million is included in "interest expense" in the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2024 and is added back as a non-cash adjustment to operating activities in the condensed consolidated statements of cash flows. The Company capitalized approximately $3.0 million in expenses related to the Third Amendment that are included in "other long-term assets" in the accompanying condensed consolidated balance sheets.

The Company and the Required Lenders (as defined in the Credit Agreement) may request one unscheduled redetermination of the borrowing base between each scheduled redetermination. The amount of the borrowing base is determined by the lenders in their sole discretion and consistent with the oil and gas lending criteria of the lenders at the time of the relevant redetermination. The amount the Company is able to borrow under the Credit Agreement is subject to compliance with the financial covenants, satisfaction of various conditions precedent to borrowing and other provisions of the Credit Agreement.

At September 30, 2024, the Company had outstanding borrowings of $195.0 million and $0.3 million of outstanding letters of credit issued and outstanding under the Credit Agreement, resulting in availability of $104.7 million. The Credit Agreement is guaranteed by the restricted subsidiaries of Granite Ridge and is secured by a first priority mortgage and security interest in substantially all of the Company's and its restricted subsidiaries' assets.

Borrowings under the Credit Agreement may be base rate loans or secured overnight financing rate ("SOFR") loans. Interest is payable quarterly for base rate loans and at the end of the applicable interest period for SOFR loans. Prior to the First Amendment, SOFR loans accrued interest at SOFR plus an applicable margin ranging from 250 to 350 basis points, depending on the percentage of the borrowing base utilized, plus an additional 10, 15 or 20 basis point credit spread adjustment for a one, three or six month interest period, respectively. Base rate loans accrued interest at a rate per annum equal to the greatest of: (i) the U.S. prime rate as published by the Wall Street Journal; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted SOFR rate for a one-month interest period plus 100 basis points, plus, in the case of this clause (iii) an additional 10 basis point credit spread adjustment, plus, in the case of any base rate loan, an applicable margin ranging from 150 to 250 basis points, depending on the percentage of the borrowing base utilized.

As a result of the First Amendment, SOFR loans now bear interest at SOFR plus an applicable margin ranging from 300 to 400 basis points, depending on the percentage of the borrowing base utilized, plus an additional 10, 15 or 20 basis point credit spread adjustment for a one, three or six month interest period, respectively. Base rate loans now bear interest at a rate per annum equal to the greatest of: (i) the U.S. prime rate as published by the Wall Street Journal; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted SOFR rate for a one-month interest period plus 100 basis points, plus, in the case of this clause (iii) an additional 10 basis point credit spread adjustment, plus, in the case of any base rate loan, an applicable margin ranging from 200 to 300 basis points, depending on the percentage of the borrowing base utilized.

The Company also pays a commitment fee on unused elected commitment amounts under its facility of 50 basis points. The Company may repay any amounts borrowed under the Credit Agreement prior to the maturity date without any premium or penalty.

The Credit Agreement contains certain financial covenants, including the maintenance of the following financial ratios:

(i) a leverage ratio, which is the ratio of Consolidated Total Debt to EBITDAX (each as defined in the Credit Agreement), of not greater than 3.00 to 1.00 as of the last day of each fiscal quarter, and

(ii) a Current Ratio (as defined in the Credit Agreement), of not less than 1.00 to 1.00 as of the last day of each fiscal quarter.

At September 30, 2024, the Company was in compliance with all financial covenants required by the Credit Agreement.

9. Equity

Warrant Exchange - On June 22, 2023, the Company completed an Offer to holders of its outstanding warrants which provided such holders the opportunity to receive 0.25 shares of the Company's common stock in exchange for each warrant tendered by such holders. This Offer coincided with a solicitation of consents from holders of the warrants to amend the warrant agreement to permit the Company to require that each warrant that remained outstanding upon the closing of the Offer be exchanged for 0.225 shares of the Company's common stock. On June 22, 2023, the Company issued 2,471,738 shares of common stock in exchange for 9,887,035 warrants tendered in the Offer, with a minimal cash settlement in lieu of partial shares. In July 2023, each remaining outstanding warrant was converted into 0.225 shares of the Company's common stock, and subsequently, no warrants remained outstanding.

The warrants exchanged in the Offer were marked to fair value on the date of settlement, which was recorded in loss on derivatives - common stock warrants on the condensed consolidated statements of operations. Upon exchange, the liability of $17.0 million and $0.7 million related to the exchanged common stock warrants in June 2023 and July 2023, respectively, was removed from the condensed consolidated balance sheet and the issuance of shares of the Company's common stock was reflected in stockholders' equity.

The Company incurred $2.5 million of costs directly related to the Warrant Exchange, consisting primarily of professional, legal, printing, filing, regulatory, and other costs. The costs were recorded in General and administrative expenses on the condensed consolidated statements of operations for the nine months ended September 30, 2023.

Common Stock Dividends - The Company paid dividends of $14.4 million, or $0.11 per share, and $43.1 million, or $0.33 per share during the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, the Company paid dividends of $14.8 million, or $0.11 per share, and $44.1 million, or $0.33 per share, respectively.

Any payment of future dividends will be at the discretion of the Company's Board of Directors.

Stock Repurchase Program - In December 2022, the Company announced that its Board of Directors approved a stock repurchase program for up to $50.0 million of the Company's common stock through December 31, 2023. Under the stock repurchase program, the Company was permitted to repurchase shares of its common stock from time to time in open market transactions or in privately negotiated transactions as permitted under applicable rules and regulations. The stock repurchase program terminated on December 31, 2023.

During the three and nine months ended September 30, 2023, the Company repurchased 868,726 and 1,802,311 shares under the program at an aggregate cost of $6.3 million and $12.1 million, respectively.

Vesting Shares

As discussed in Note 1, 495,357 shares of Class F common stock of ENPC were converted into 1,238,393 shares of Class A common stock of ENPC, 371,518 of which became subject to certain vesting and forfeiture provisions upon their conversion to the Company's common stock in accordance with the Business Combination Agreement (the "Vesting Shares"). Based on an assessment of the Vesting Shares, the Company considered ASC 480 and accounted for the Vesting Shares as a liability. The Company recorded a liability related to the Vesting Shares of $ 1.3 million as of December 31, 2022. In January 2023, the Company reversed this liability and the related additional paid-in capital when 151,170 of these shares vested. The remaining shares were forfeited.

10. Related Party Transactions

On the Closing Date of the Business Combination, Grey Rock Administration, LLC (the "Manager") entered into a Management Services Agreement with Granite Ridge (the "MSA"). Under the MSA, the Manager provides general management, administrative, and operating services covering the oil and gas assets and other properties of the Company and other day-to-day business and affairs of the Company. In accordance with the MSA, the Company pays the Manager an annual services fee of $10.0 million and reimburses the Manager for certain Granite Ridge group costs related to the

operation of the Company's assets (including for third-party costs allocated or attributable to the assets of the Company). The initial term of the MSA expires on April 30, 2028; however, the MSA will automatically renew for additional consecutive one-year renewal terms until terminated in accordance with its terms. Upon any termination of the MSA, the Manager shall provide transition services for a period of up to 90 days.

For the three and nine months ended September 30, 2024, service fees for the Company under the MSA were approximately $2.5 million and $7.5 million, respectively, and are included in general and administrative expenses within the accompanying condensed consolidated statements of operations. For the three and nine months ended September 30, 2023, service fees for the Company under the MSA were $2.5 million and $7.5 million, respectively, consistent with the same periods of 2024.

11. Risk Concentrations

As a non-operator, 100% of the Company's wells are operated by third-party operating partners. As a result, the Company is highly dependent on the success of these third-party operators. If they are not successful in the development, exploitation, production and exploration activities relating to the Company's leasehold interests, or are unable or unwilling to perform, the Company's financial condition and results of operations could be adversely affected. These risks are heightened in a low commodity price environment, which may present significant challenges to these third-party operators. The Company's third-party operators will make decisions in connection with their operations that may not be in the Company's best interests, and the Company may have little or no ability to exercise influence over the operational decisions of its third-party operators.

In the normal course of business, the Company maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

Derivative Counterparties - The Company uses credit and other financial criteria to evaluate the creditworthiness of counterparties to its derivative instruments. The Company believes that all of its derivative counterparties are currently acceptable credit risks. All of the Company's outstanding derivative instruments are covered by International Swap Dealers Association Master Agreements ("ISDAs") entered into with parties that are also lenders under the Company's Credit Agreement. The Company's obligations under the derivative instruments are secured pursuant to the Credit Agreement, and no additional collateral has been posted by the Company.

12. Earnings Per Share

The Company uses the two-class method of calculating earnings per share because certain of the Company's unvested stock-based awards qualify as participating securities.

The Company's basic earnings (loss) per share attributable to common stockholders is computed as (i) net income (loss) as reported, (ii) less participating basic earnings (iii) divided by weighted average basic common shares outstanding. The Company's diluted earnings (loss) per share attributable to common stockholders is computed as (i) basic earnings (loss) attributable to common stockholders, (ii) plus reallocation of participating earnings (iii) divided by weighted average diluted common shares outstanding.

The following table presents the basic and diluted earnings per share computations for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2024	2023	2024	2023
Net income	$ 9,054	$ 17,957	$ 30,381	$ 63,560
Participating basic earnings (a)	(59)	(41)	(153)	(109)
Basic earnings attributable to common stockholders	8,995	17,916	30,228	63,451
Reallocation of participating earnings	—	—	—	—
Diluted earnings attributable to common stockholders	$ 8,995	$ 17,916	$ 30,228	$ 63,451
Weighted average common shares outstanding:				
Weighted average common shares outstanding – basic	130,204	134,396	130,182	133,426
Dilutive performance stock units	29	11	27	8
Dilutive stock options	9	14	10	6
Weighted average common shares outstanding – diluted	130,242	134,421	130,219	133,440
Net income per common share:				
Basic	$ 0.07	$ 0.13	$ 0.23	$ 0.48
Diluted	$ 0.07	$ 0.13	$ 0.23	$ 0.48

(a) Unvested restricted stock awards represent participating securities because they participate in nonforfeitable dividends or distributions with the common equity holders of the Company. Participating earnings represent the distributed and undistributed earnings of the Company attributable to the participating securities. Unvested restricted stock awards do not participate in undistributed net losses as they are not contractually obligated to do so.

Prior to the Warrant Exchange, the warrants were out-of-the-money and were not included in the computation of the diluted earnings per share. As a result of the Warrant Exchange, no warrants remained outstanding at September 30, 2023.

The following table is a summary of the PSUs and stock options, which were not included in the computation of diluted earnings per share, as inclusion of these items would be antidilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Number of antidilutive common shares:				
Antidilutive performance stock units	74,096	21,007	49,588	17,689
Antidilutive stock options	517,818	378,067	485,608	271,788
Total antidilutive common shares	591,914	399,074	535,196	289,477

13. Subsequent Events

Dividend

The Company's Board of Directors declared a regular quarterly dividend of $0.11 per share payable on December 16, 2024 to shareholders of record as of November 29, 2024. Future declarations of dividends are subject to approval by the Board of Directors.

Fourth Amendment to the Credit Agreement

On November 1, 2024, the Company and its lenders entered into the Fourth Amendment to the Credit Agreement, which amended the Credit Agreement to, among other things, increase the borrowing base and aggregate elected commitments from $300 million to $325 million.

14. Supplementary Data

Capitalized Costs

(in thousands)	September 30, 2024	December 31, 2023
Oil and natural gas properties:		
Proved	$ 1,423,923	$ 1,198,845
Unproved	68,938	37,838
Less: accumulated depletion	(593,411)	(467,141)
Net capitalized costs for oil and natural gas properties	$ 899,450	$ 769,542

Costs Incurred for Oil and Natural Gas Producing Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Property acquisition costs:				
Proved	$ —	$ 8,161	$ 2,824	$ 27,459
Unproved	32,919	11,262	51,515	24,053
Development costs	77,171	75,726	206,761	233,071
Total costs incurred for oil and natural gas properties	$ 110,090	$ 95,149	$ 261,100	$ 284,583

Item 2. ***Management's Discussion and Analysis of Financial Conditions and Results of Operations***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

The following discussion contains "forward-looking statements" reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors. Factors that could cause or contribute to such differences include, but are not limited to, market prices for oil and natural gas, capital expenditures, economic and competitive conditions, regulatory changes and other uncertainties, as well as those factors discussed below and elsewhere in this Report. Please read "Cautionary Note Regarding Forward-Looking Statements." Also, please read the risk factors and other cautionary statements described under "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") and elsewhere in this Report. We assume no obligation to update any of these forward-looking statements, except as required by applicable law.

Overview

Granite Ridge is a scaled, non-operated oil and gas exploration and production company. We own a portfolio of wells and top-tier acreage across the Permian and five other prolific unconventional basins across the United States. Rather than drill wells ourselves, we increase asset diversity and decrease overhead by investing in a smaller piece of a larger number of high-graded wells drilled by proven public and private operators. As a non-operating partner, we pay our pro rata share of expenses, but we are not burdened by long-term contracts and drilling obligations common to operators.

Business Combination

On October 24, 2022 (the "Closing Date"), Granite Ridge and ENPC consummated the business combination pursuant to the terms of the Business Combination Agreement, dated as of May 16, 2022 (the "Business Combination Agreement"), by and among ENPC, Granite Ridge, ENPC Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Granite Ridge ("ENPC Merger Sub"), GREP Merger Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Granite Ridge ("GREP Merger Sub"), and Granite Ridge Holdings, LLC, a Delaware limited liability company formerly known as GREP Holdings, LLC ("GREP").

Pursuant to the Business Combination Agreement, on the Closing Date, (i) ENPC Merger Sub merged with and into ENPC (the "ENPC Merger"), with ENPC surviving the ENPC Merger as a wholly-owned subsidiary of Granite Ridge and (ii) GREP Merger Sub merged with and into GREP (the "GREP Merger," and together with the ENPC Merger, the "Mergers"), with GREP surviving the GREP Merger as a wholly-owned subsidiary of Granite Ridge (the transactions contemplated by the foregoing clauses (i) and (ii) the "Business Combination," and together with the other transactions contemplated by the Business Combination Agreement, the "Transactions").

For additional information on the Business Combination, see Note 1 of the Notes to Condensed Consolidated Financial Statements.

Selected Factors That Affect Our Operating Results

Our revenues, cash flows from operations and future growth depend substantially upon:

- the timing and success of drilling and production activities by our operating partners;
- the prices and the supply and demand for oil and natural gas;
- the quantity of oil and natural gas production from the wells in which we participate;
- changes in the fair value of the derivative instruments we use to reduce our exposure to fluctuations in the price of oil and natural gas;
- our ability to continue to identify and acquire high-quality acreage and drilling opportunities; and

- the level of our operating expenses.

In addition to the factors that affect companies in our industry generally, the location of substantially all of our acreage in the Eagle Ford, Permian, Bakken, Haynesville, Denver-Julesburg, and Appalachian Basins subjects our operating results to factors specific to these regions. These factors include the potential adverse impact of weather on drilling, production and transportation activities, particularly during the winter and spring months, as well as infrastructure limitations, transportation capacity, regulatory matters, and other factors that may specifically affect one or more of these regions.

The price of oil and natural gas can vary depending on the market in which it is sold and the means of transportation used to transport the oil and natural gas to market.

The price at which our oil and natural gas production is sold typically reflects either a premium or discount to the NYMEX benchmark price. Thus, our operating results are also affected by changes in the oil and natural gas price differentials between the applicable benchmark and the sales prices we receive for our oil and natural gas production.

Our oil price differential to the NYMEX benchmark price during the three months ended September 30, 2024 and 2023 was a discount of $(2.99) per barrel and $(3.79) per barrel, respectively. For the nine months ended September 30, 2024 and 2023, our oil price differential to the NYMEX benchmark price was a discount of $(2.27) per barrel and $(1.34) per barrel, respectively.

Our natural gas price differential to the average NYMEX price during the three months ended September 30, 2024 and 2023 was a discount of $(0.87) per Mcf and $(0.08) per Mcf, respectively. For the nine months ended September 30, 2024 and 2023, our natural gas price differential to the average NYMEX price was a discount of $(0.43) per Mcf and a premium of $0.16 per Mcf, respectively.

Market Conditions

The price that we receive for the oil and natural gas our operators produce is largely a function of market supply and demand. Because our oil and natural gas revenues are heavily weighted toward oil, we are more significantly impacted by changes in oil prices than by changes in the price of natural gas. Worldwide supply in terms of output, especially production from properties within the United States, the production quota set by OPEC, and the strength of the U.S. dollar can adversely impact oil prices.

Historically, commodity prices have been volatile, and we expect that volatility to continue in the future.

Although we cannot predict the occurrence of events that may affect future commodity prices, or the degree to which these prices will be affected, the prices for any commodity that we produce will generally approximate current market prices in the geographic region of the production. From time to time, we expect that we may hedge a portion of our commodity price risk to mitigate the impact of price volatility on our business.

Prices for various quantities of oil and natural gas that we produce significantly impact our revenues and cash flows. The following table lists average NYMEX prices for oil and natural gas for the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Average NYMEX Prices (1)				
Oil (per Bbl)	$ 76.43	$ 82.20	$ 78.58	$ 77.30
Natural gas (per Mcf)	$ 2.11	$ 2.66	$ 2.11	$ 2.58

(1) Based on average NYMEX closing prices.

For the three months ended September 30, 2024, the average NYMEX oil pricing was $76.43 per barrel of oil, or 7% lower than the average NYMEX price per barrel for the three months ended September 30, 2023. Our settled derivatives increased our realized oil price per barrel by $0.55 for the three months ended September 30, 2024 and increased our realized oil price per barrel by $0.11 for the three months ended September 30, 2023. For the three months ended September 30, 2024, our average realized oil price per barrel after reflecting settled derivatives was $73.99 compared to

$78.52 for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the average NYMEX oil pricing was $78.58 per barrel of oil, or 2% higher than the average NYMEX price per barrel for the nine months ended September 30, 2023. Our settled derivatives increased our realized oil price per barrel by $0.11 for the nine months ended September 30, 2024 and increased our realized oil price per barrel by $1.29 for the nine months ended September 30, 2023. For the nine months ended September 30, 2024, our average realized oil price per barrel after reflecting settled derivatives was $76.42 compared to $77.25 for the nine months ended September 30, 2023.

For the three months ended September 30, 2024, the average NYMEX natural gas pricing was $2.11 per Mcf, or 21% lower than the average NYMEX price per Mcf for the three months ended September 30, 2023. Our settled derivatives increased our realized natural gas price per Mcf by $0.74 for the three months ended September 30, 2024 and increased our realized natural gas price per Mcf by $0.55 for the three months ended September 30, 2023. For the three months ended September 30, 2024, our average realized natural gas price per Mcf after reflecting settled derivatives was $1.98 compared to $3.13 for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the average NYMEX natural gas pricing was $2.11 per Mcf, or 18% lower than the average NYMEX price per Mcf for the nine months ended September 30, 2023. Our settled derivatives increased our realized natural gas price per Mcf by $0.58 for the nine months ended September 30, 2024 and increased our realized natural gas price per Mcf by $0.72 for the nine months ended September 30, 2023. For the nine months ended September 30, 2024, our average realized natural gas price per Mcf after reflecting settled derivatives was $2.26 compared to $3.46 for the nine months ended September 30, 2023.

Results of Operations

The following table sets forth summary production and operating data for the periods indicated. Because of normal production declines, increased or decreased drilling activities, fluctuations in commodity prices and the effects of acquisitions and divestitures, the historical information presented below should not be interpreted as being indicative of future results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Sales (in thousands):				
Oil sales	$ 85,503	$ 88,210	$ 238,761	$ 230,755
Natural gas sales	8,572	20,194	34,962	56,516
Total revenues	94,075	108,404	273,723	287,271
Net Production:				
Oil (MBbl)	1,164	1,125	3,129	3,038
Natural gas (MMcf)	6,912	7,841	20,758	20,643
Total (MBoe)(1)	2,316	2,432	6,589	6,479
Average Daily Production:				
Oil (Bbl)	12,655	12,228	11,420	11,128
Natural gas (Mcf)	75,133	85,228	75,758	75,615
Total (Boe)(1)	25,177	26,433	24,046	23,731
Average Sales Prices:				
Oil (per Bbl)	$ 73.44	$ 78.41	$ 76.31	$ 75.96
Effect of gain (loss) on settled oil derivatives on average price (per Bbl)	0.55	0.11	0.11	1.29
Oil net of settled oil derivatives (per Bbl) (2)	73.99	78.52	76.42	77.25
Natural gas sales (per Mcf)	1.24	2.58	1.68	2.74
Effect of gain (loss) on settled natural gas derivatives on average price (per Mcf)	0.74	0.55	0.58	0.72
Natural gas sales net of settled natural gas derivatives (per Mcf) (2)	1.98	3.13	2.26	3.46
Realized price on a Boe basis excluding settled commodity derivatives	40.61	44.57	41.54	44.34
Effect of gain (loss) on settled commodity derivatives on average price (per Boe)	2.47	1.82	1.88	2.91
Realized price on a Boe basis including settled commodity derivatives (2)	43.08	46.39	43.42	47.25
Operating Expenses (in thousands):				
Lease operating expenses	$ 13,026	$ 16,935	$ 42,174	$ 45,113
Production and ad valorem taxes	6,345	7,790	18,975	19,810
Depletion and accretion expense	44,149	44,267	126,682	113,088
General and administrative	5,590	5,249	18,705	21,839
Costs and Expenses (per Boe):				
Lease operating expenses	$ 5.62	$ 6.96	$ 6.40	$ 6.96
Production and ad valorem taxes	2.74	3.20	2.88	3.06
Depletion and accretion	19.06	18.20	19.23	17.45
General and administrative	2.41	2.16	2.84	3.37
Net Producing Wells at Period-End:	195.88	175.24	195.88	175.24

(1) Natural gas is converted to Boe using the ratio of one barrel of oil to six Mcf of natural gas.

(2) The presentation of realized prices including settled commodity derivatives is a result of including the net cash receipts from (payments on) commodity derivatives that are presented in our condensed consolidated statements of cash flows. This presentation of average prices with derivatives is a means by which to reflect the actual cash performance of our commodity derivatives for the respective periods and presents oil and natural gas prices with derivatives in a manner consistent with the presentation generally used by the investment community.

Oil and Natural Gas Sales

Our revenues vary from year to year primarily due to changes in realized commodity prices and production volumes. Our oil and natural gas sales for the three months ended September 30, 2024 decreased 13% from the same period in 2023. Oil revenues for the three months ended September 30, 2024 decreased by 3% compared to the same period in 2023, driven by a 6% decrease in realized prices, excluding the effect of settled derivatives, partially offset by a 3% increase in production. Natural gas revenues decreased by 58% for the three months ended September 30, 2024 compared to 2023, driven by a 52% decrease in realized natural gas prices, excluding the effect of settled commodity derivatives, and a 12% decrease in production.

Oil revenues for the nine months ended September 30, 2024 increased by 3% compared to the same period in 2023, driven by a 3% increase in production. Natural gas revenues decreased by 38% for the nine months ended September 30, 2024 compared to 2023 as a result of a 39% decrease in realized natural gas prices, excluding the effect of settled commodity derivatives, partially offset by a 1% increase in production.

Production from oil and gas properties increased for the nine months ended September 30, 2024 as compared to the same period of 2023 due to drilling success and the acquisition of additional net revenue interests. This increase in production is offset by the natural decline of the production rate of existing oil and natural gas wells as well as production lost from the sale of certain of our Permian Basin assets to Vital Energy, Inc. ("Vital Energy") in December 2023. The number of net producing wells increased from 175.24 net wells on September 30, 2023 to 195.88 net wells on September 30, 2024.

Lease Operating Expenses

Lease operating expenses were $13.0 million ($5.62 per Boe) for the three months ended September 30, 2024, a decrease of 23% from $16.9 million ($6.96 per Boe) during the same period in 2023. The decrease was partially due to a decrease of $0.5 million in transportation and gathering expenses related to certain take in kind arrangements on natural gas volumes, which have declined in the Haynesville area. In addition, workover and repair and maintenance expenses for the third quarter of 2024 are lower than the same period of 2023, partially offset by an increase in certain other lease operating expenses as a result of an increase in well count due to acquisitions and additional wells successfully drilled and completed.

Lease operating expenses were $42.2 million ($6.40 per Boe) for the nine months ended September 30, 2024, a decrease of 7% from $45.1 million ($6.96 per Boe) during the same period in 2023. The decrease was primarily due to a decrease of $1.4 million in transportation and gathering expenses related to certain take in kind arrangements on natural gas volumes, which have declined in the Haynesville area. In addition, workover and repair and maintenance expenses for the nine months ended September 30, 2024 are lower than the same period of 2023, partially offset by an increase in certain other lease operating expenses.

Production and Ad Valorem Taxes

We generally pay production taxes based on realized oil and natural gas sales. Production taxes were $5.3 million ($2.29 per Boe) for the three months ended September 30, 2024, compared to $7.1 million ($2.93 per Boe) during the same period in 2023. As a percentage of oil and natural gas sales, our production taxes were 6% and 7% during the three months ended September 30, 2024 and 2023, respectively.

Production taxes were $15.0 million ($2.28 per Boe) for the nine months ended September 30, 2024 compared to $17.9 million ($2.76 per Boe) during the same period in 2023. As a percentage of oil and natural gas sales, our production taxes were 5% and 6% during the nine months ended September 30, 2024 and 2023, respectively.

Production taxes fluctuate with the market value of our production sold, while ad valorem taxes are generally based on the valuation of our oil and natural gas properties at the beginning of the year, which vary across the different areas in which we operate.

Ad valorem taxes increased during both three and nine months ended September 30, 2024 as compared to the same periods in 2023, primarily due to additional wells drilled and completed and new wells acquired.

Depletion and Accretion

Depletion and accretion was $44.1 million ($19.06 per Boe) for the three months ended September 30, 2024, a decrease of 1% from $44.3 million ($18.20 per Boe) during the same period in 2023. The decrease in depletion and accretion expense was primarily due to the decrease in production partially offset by an increase in the depletion rate.

Depletion and accretion was $126.7 million ($19.23 per Boe) for the nine months ended September 30, 2024, an increase of 12% from $113.1 million ($17.45 per Boe) during the same period in 2023. The increase in depletion and accretion expense was primarily due to the increase in production and depletion rate.

Impairment of Unproved Properties

No impairment of unproved properties was recorded for the three months ended September 30, 2024 and 2023. Impairment of unproved properties was $0.7 million for the nine months ended September 30, 2024, and no impairment recorded during the same period in 2023. The impairment in 2024 was recorded on unproved properties in the Permian Basin as the operator of those properties no longer intends to drill certain locations.

Exploration Expense

Exploration expense was $0.3 million for the three and nine months ended September 30, 2024, a decrease of 82% from $1.6 million during the same time periods in 2023. The decrease in exploration expense was primarily due to $1.6 million of costs related to certain mechanical issues encountered on two wells that made them unable to produce hydrocarbons in the three and nine months ended September 30, 2023, partially offset by delay rentals recognized during the same periods in 2024.

General and Administrative

The following table provides components of our general and administrative expenses for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
General and administrative expenses	$ 5,002	$ 4,870	$ 17,022	$ 20,026
Non-cash stock-based compensation	588	379	1,683	1,813
Total general and administrative expenses	$ 5,590	$ 5,249	$ 18,705	$ 21,839

Total general and administrative expenses were $5.6 million ($2.41 per Boe) for the three months ended September 30, 2024, an increase of 6% from $5.2 million ($2.16 per Boe) during the same period in 2023. The increase was primarily due to higher salary expense and administrative fees during three months ended September 30, 2024.

Total general and administrative expenses were $18.7 million ($2.84 per Boe) for the nine months ended September 30, 2024, a decrease of 14% from $21.8 million ($3.37 per Boe) during the same period in 2023. The decrease was primarily due to $2.5 million of costs directly related to the Warrant Exchange in the nine months ended September 30, 2023, as well as lower insurance costs for the nine months ended September 30, 2024.

Gain/(Loss) on Derivatives – Commodity Derivatives

The following table sets forth the gain (loss) on derivatives for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Gain (loss) on commodity derivatives				
Oil derivatives	$ 8,423	$ (9,808)	$ 1,863	$ (4,906)
Natural gas derivatives	3,418	1,679	6,032	11,321
Total	$ 11,841	$ (8,129)	$ 7,895	$ 6,415

The following table represents our net cash receipts from (payments on) derivatives for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2024	2023	2024	2023
Net cash receipts from (payments on) commodity derivatives				
Oil derivatives	$ 637	$ 119	$ 358	$ 3,912
Natural gas derivatives	5,092	4,300	12,031	14,918
Total	$ 5,729	$ 4,419	$ 12,389	$ 18,830

Our earnings are affected by the changes in the value of our derivatives portfolio between periods and the related cash settlements of those derivatives, which could be significant. To the extent the future commodity price outlook declines between measurement periods, we will have mark-to-market gains; while to the extent future commodity price outlook increases between measurement periods, we will have mark-to-market losses.

Interest Expense

Interest expense was $4.8 million for the three months ended September 30, 2024 compared to $1.4 million for the three months ended September 30, 2023. The increase in interest expense during three months ended September 30, 2024 as compared to 2023 was primarily due to the higher average outstanding balance on the revolving credit facility.

Interest expense was $13.8 million for the nine months ended September 30, 2024 compared to $2.9 million for the nine months ended September 30, 2023. The increase in interest expense during the nine months ended September 30, 2024 as compared to 2023 was primarily due the increase in interest rates and amortization of deferred financing costs, and higher average outstanding balance on the revolving credit facility.

In connection with the Third Amendment to the Credit Agreement executed in April 2024, due to an increase in the size of the lender group, certain lenders decreased their commitment amounts and one bank exited the facility, which resulted in a write-off of $2.2 million in deferred financing costs that were previously capitalized. This $2.2 million is included in interest expense in the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2024, which contributed to the increase in interest expense compared to the nine months ended September 30, 2023.

Loss on Derivatives – Common Stock Warrants

We recognized a loss of $5.7 million during the nine months ended September 30, 2023 from the change in fair value of the warrant liability. See Note 3 and Note 9 of the Notes to the Condensed Consolidated Financial Statements for additional information on the common stock warrants and the Warrant Exchange.

Loss on Equity Investments

We recorded a loss of $18.3 million and $19.3 million during the three and nine months ended September 30, 2024, respectively, from the change in fair value of the common and preferred stock of Vital Energy. See Note 2 and Note 4 of the Notes to Condensed Consolidated Financial Statements for additional information on the common and preferred stock of Vital Energy.

Income Tax Expense (Benefit)

We recorded an income tax expense of $4.3 million and $10.8 million for the three and nine months ended September 30, 2024 compared to $5.2 million and $20.1 million for the three and nine months ended September 30, 2023. The effective income tax rate differs from the statutory rate primarily due to the impact of certain discrete items, such as adjusting deferred balances for filed tax returns, and state income taxes. See Note 7 of the Notes to Condensed Consolidated Financial Statements for additional discussion of income taxes.

Liquidity and Capital Resources

Our main sources of liquidity and capital resources as of the periods covered by this Report have been internally generated cash flow from operations and credit facility borrowings. Our primary use of capital has been for the development and acquisition of oil and natural gas properties. We continually monitor potential capital sources for opportunities to enhance liquidity or otherwise improve our financial position.

As of September 30, 2024, we had $195.0 million of debt outstanding under our Credit Agreement (as defined below). We had $127.8 million of liquidity as of September 30, 2024, consisting of $104.7 million of committed borrowing availability under the Credit Agreement and $23.1 million of cash on hand. On November 1, 2024, the Company and its lenders entered into the Fourth Amendment to the Credit Agreement, which amended the Credit Agreement to, among other things, increase the borrowing base and aggregate elected commitments from $300 million to $325 million.

With our cash on hand, cash flow from operations, and borrowing capacity under the Credit Agreement, we believe that we will have sufficient cash flow and liquidity to fund our budgeted capital expenditures and operating expenses for at least the next twelve months. However, we may seek additional access to capital and liquidity. We cannot assure you that any additional capital will be available to us on favorable terms or at all.

Capital Commitments

Our recent capital commitments have been to fund the development and acquisition of oil and natural gas properties. We expect to fund our near-term capital requirements and working capital needs with cash on hand, cash flows from operations and available borrowing capacity under our Credit Agreement. Our capital expenditures could be curtailed if our cash flows decline from expected levels.

Common Stock Dividends

We paid dividends of $14.4 million, or $0.11 per share, and $43.1 million, or $0.33 per share during the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, we paid dividends of $14.8 million, or $0.11 per share, and $44.1 million, or $0.33 per share, respectively.

Any payment of future dividends will be at the discretion of the Company's Board of Directors.

Stock Repurchase Program

In December 2022, we announced that our Board of Directors approved a stock repurchase program for up to $50 million of our common stock through December 31, 2023. Under the stock repurchase program, we repurchased shares of our common stock from time to time in open market transactions or in privately negotiated transactions as permitted under applicable rules and regulations. The stock repurchase program terminated on December 31, 2023.

During the three and nine months ended September 30, 2023, we repurchased 868,726 and 1,802,311 shares under the program at an aggregate cost of $6.3 million and $12.1 million, respectively.

Cash Flows

The following table summarizes our changes in cash and cash equivalents for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**
Net cash provided by operating activities	$ 207,536	$ 212,692
Net cash used in investing activities	(233,630)	(286,505)
Net cash provided by financing activities	38,466	29,097
Net change in cash	$ 12,372	$ (44,716)

Cash Flows from Operating Activities

The primary factors impacting our cash flows from operating activities generally include: (i) levels of production from our oil and natural gas properties, (ii) prices we receive from sales of oil and natural gas production, including settlement proceeds or payments related to our commodity derivatives, (iii) operating costs of our oil and natural gas properties, (iv) costs of our general and administrative activities and (v) interest expense. Our cash flows from operating activities have historically been impacted by fluctuations in oil and natural gas prices and our production volumes.

The $5.2 million decrease in operating cash flows during the nine months ended September 30, 2024 as compared to the same period in 2023 was primarily due to decreased oil and gas sales and higher interest expense affecting net income. This was offset in part by net cash provided by operating activities which included a benefit of $10.4 million and a reduction of $2.9 million for the nine months ended September 30, 2024 and 2023, respectively, associated with changes in working capital items. Changes in working capital items adjust for the timing of receipts and payments of actual cash.

Cash Flows from Investing Activities

For the nine months ended September 30, 2024, our net cash used in investing activities was $233.6 million, which consisted primarily of $193.4 million of capital expenditures used in the development of oil and natural gas properties and $52.0 million of acquisitions of oil and natural gas properties.

For the nine months ended September 30, 2023, our net cash used in investing activities was $286.5 million, which consisted primarily of $237.1 million of capital expenditures used in the development of oil and natural gas properties and $49.4 million of acquisitions of oil and natural gas properties.

Cash Flows from Financing Activities

For the nine months ended September 30, 2024, our net cash provided by financing activities was $38.5 million, primarily due to $85.0 million of borrowings under our Credit Agreement, partially offset by $43.1 million of dividends paid on our common stock and $3.0 million of deferred financing costs.

For the nine months ended September 30, 2023, our net cash provided by financing activities was $29.1 million, primarily due to $85.0 million of net borrowings under our Credit Agreement, partially offset by $44.1 million of dividends paid on our common stock, and $11.8 million of common stock repurchases.

Granite Ridge Credit Agreement

On October 24, 2022, Granite Ridge entered into a senior secured revolving credit agreement (as amended, the "Credit Agreement") among Granite Ridge, as borrower, Texas Capital Bank, as administrative agent, and the lenders from time to time party thereto. The Credit Agreement has a maturity date of five years from the effective date thereof.

On April 1, 2024, the Company entered into the Resignation, Appointment, Assignment and Third Amendment to Credit Agreement (the "Third Amendment") by and among the Company, as borrower, Texas Capital Bank, as resigning administrative agent, Bank of America, N.A. ("Bank of America"), as successor administrative agent, and the lenders from time to time party thereto. The Third Amendment, among other things, (a) appointed Bank of America as administrative

agent and L/C Issuer (as defined therein), replacing Texas Capital Bank, (b) increased the size of the lender group by adding nine new banks, with one bank exiting the facility, (c) increased the borrowing base from $275.0 million to $300.0 million, and (d) increased the aggregate elected commitments from $240.0 million to $300.0 million.

At September 30, 2024, the Company had outstanding borrowings of $195.0 million and $0.3 million of outstanding letters of credit issued and outstanding under the Credit Agreement, resulting in availability of $104.7 million. The Credit Agreement is guaranteed by the restricted subsidiaries of Granite Ridge and is secured by a first priority mortgage and security interest in substantially all of the Company's and its restricted subsidiaries' assets.

On November 1, 2024, the Company and its lenders entered into the Fourth Amendment to Credit Agreement, which amended the Credit Agreement to, among other things, increase the borrowing base and aggregate elected commitments from $300 million to $325 million. The borrowing base is redetermined semiannually on or about April 1 and October 1 of each calendar year, and is subject to additional adjustments from time to time, including for asset sales, elimination or reduction of hedge positions and incurrence of other debt.

Borrowings under the Credit Agreement may be base rate loans or secured overnight financing rate ("SOFR") loans. Interest is payable quarterly for base rate loans and at the end of the applicable interest period for SOFR loans. Prior to entry into the First Amendment to the Credit Agreement on November 7, 2023 (the "First Amendment"), SOFR loans accrued interest at SOFR plus an applicable margin ranging from 250 to 350 basis points, depending on the percentage of the borrowing base utilized, plus an additional 10, 15 or 20 basis point credit spread adjustment for a one, three or six month interest period, respectively. Base rate loans accrued interest at a rate per annum equal to the greatest of: (i) the U.S. prime rate as published by the Wall Street Journal; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted SOFR rate for a one-month interest period plus 100 basis points, plus, in the case of this clause (iii) an additional 10 basis point credit spread adjustment, plus, in the case of any base rate loan, an applicable margin ranging from 150 to 250 basis points, depending on the percentage of the borrowing base utilized.

As a result of the First Amendment, SOFR loans now bear interest at SOFR plus an applicable margin ranging from 300 to 400 basis points, depending on the percentage of the borrowing base utilized, plus an additional 10, 15 or 20 basis point credit spread adjustment for a one, three or six month interest period, respectively. Base rate loans now bear interest at a rate per annum equal to the greatest of: (i) the U.S. prime rate as published by the Wall Street Journal; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted SOFR rate for a one-month interest period plus 100 basis points, plus, in the case of this clause (iii) an additional 10 basis point credit spread adjustment, plus, in the case of any base rate loan, an applicable margin ranging from 200 to 300 basis points, depending on the percentage of the borrowing base utilized.

The Company also pays a commitment fee on unused elected commitment amounts under its facility of 50 basis points. The Company may repay any amounts borrowed under the Credit Agreement prior to the maturity date without any premium or penalty.

The Credit Agreement contains certain financial covenants, including the maintenance of the following financial ratios:

(i) a leverage ratio, which is the ratio of Consolidated Total Debt to EBITDAX (each as defined in the Credit Agreement), of not greater than 3.00 to 1.00 as of the last day of each fiscal quarter, and

(ii) a Current Ratio (as defined in the Credit Agreement), of not less than 1.00 to 1.00 as of the last day of each fiscal quarter.

The Credit Agreement contains additional restrictive covenants that limit our ability and our restricted subsidiaries to, among other things, incur additional indebtedness, incur additional liens, enter into mergers and acquisitions, make or declare dividends, repurchase or redeem junior debt, make investments and loans, engage in transactions with affiliates, sell assets and enter into certain hedging transactions. In addition, the Credit Agreement is subject to customary events of default, including a change in control. If an event of default occurs and is continuing, the administrative agent may, with the consent of majority lenders, or shall, at the direction of the majority lenders, accelerate any amounts outstanding and terminate lender commitments.

As of September 30, 2024, we were in compliance with all financial covenants required by the Credit Agreement.

Known Contractual and Other Obligations; Planned Capital Expenditures

Contractual and Other Obligations

Our contractual obligations include long-term debt, cash interest expense on debt, derivative liabilities, asset retirement obligations and an annual service fee to the Manager. Since December 31, 2023, there have been no material changes in our contractual obligations, other than the $85.0 million increase in long-term debt due to borrowings under the Credit Agreement.

Planned Capital Expenditures

For 2024, we are budgeting for approximately $355 million to $365 million in total planned capital expenditures, including approximately $60 million of acquisitions of oil and natural gas properties. Our costs incurred on oil and natural gas properties, excluding acquisitions, during the three months ended September 30, 2024 and 2023 totaled $77.2 million and $75.7 million, respectively, and $206.8 million and $233.1 million during the nine months ended September 30, 2024 and 2023, respectively. Our capital expenditures for the nine months ended September 30, 2024 were primarily funded with cash flows from operations and borrowings under the Credit Agreement. We expect to fund planned capital expenditures with cash generated from operations and, if required, borrowings under our Credit Agreement.

The amount, timing and allocation of capital expenditures are largely discretionary and subject to change based on a variety of factors. If oil and natural gas prices decline below our acceptable levels, or costs increase above our acceptable levels, we may choose to defer a portion of our budgeted capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. We may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We will carefully monitor and may adjust our projected capital expenditures in response to changes in prices, availability of financing, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, contractual obligations, internally generated cash flow, and other factors both within and outside our control.

Acquisitions

The following table reflects our expenditures for acquisitions of proved and unproved properties for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Property acquisition costs:				
Proved	$ —	$ 8,161	$ 2,824	$ 27,459
Unproved	32,919	11,262	51,515	24,053
Total property acquisition costs	$ 32,919	$ 19,423	$ 54,339	$ 51,512

Satisfaction of Our Cash Obligations for the Next Twelve Months

With our Credit Agreement and our positive cash flows from operations, we believe we will have sufficient capital to meet our drilling commitments, expected general and administrative expenses, and other cash needs for the next twelve months. Nonetheless, any strategic acquisition of assets or increase in drilling activity may lead us to seek additional capital. We may also choose to seek additional capital rather than utilize our credit to fund accelerated or continued drilling at the discretion of management and depending on prevailing market conditions. We will evaluate any potential opportunities for acquisitions as they arise. However, there can be no assurance that any additional capital will be available to us on favorable terms or at all.

Effects of Inflation and Pricing

The oil and natural gas industry is typically very cyclical and the demand for goods and services of oilfield companies, suppliers and others associated with the industry put extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Conversely, in a period of declining prices, associated cost declines are likely to lag and may not adjust downward in proportion.

Material changes in prices also impact our current revenue stream, estimates of future reserves, borrowing base calculations of bank loans, impairment assessments of oil and natural gas properties, and values of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain personnel. Higher prices for oil and natural gas could result in increases in the costs of materials, services and personnel.

Critical Accounting Estimates

The establishment and consistent application of accounting policies is a vital component of accurately and fairly presenting our financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), as well as ensuring compliance with applicable laws and regulations governing financial reporting. While there are rarely alternative methods or rules from which to select in establishing accounting and financial reporting policies, proper application often involves significant judgment regarding a given set of facts and circumstances and a complex series of decisions. Further, these estimates and other factors, including those outside of management's control, could have a significant adverse impact to the financial condition and results of operations.

In management's opinion, the more significant reporting areas impacted by management's judgments and estimates are the choice of accounting method for oil and natural gas activities, oil and natural gas reserve estimation, asset retirement obligations, revenue recognition, impairment of long-lived assets and valuation of financial derivatives.

There have been no material changes in our critical accounting policies and procedures during the nine months ended September 30, 2024. See our disclosure of critical accounting policies in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of our 2023 Form 10-K.

Recently Issued or Adopted Accounting Pronouncements

For discussion of recently issued or adopted accounting pronouncements, see Note 2 of the Notes to Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Commodity Price Risk

We are exposed to market risk as the prices of our commodities are subject to fluctuations resulting from changes in supply and demand. To reduce our exposure to changes in the prices of our commodities, we have entered into, and may in the future enter into, additional commodity price risk management arrangements for a portion of our oil and natural gas production. The agreements that we have entered into generally have the effect of providing us with a fixed price for a portion of our expected future oil and natural gas production over a fixed period of time. Our commodity price risk management arrangements are recorded at fair value and thus changes to the future commodity prices will have an impact on our earnings. A 10% increase in average commodity prices would have decreased the fair value of commodity derivatives by $14.6 million at September 30, 2024. We may incur significant unrealized losses in the future from our use of derivative financial instruments to the extent market prices increase and our derivatives contracts remain in place.

We generally use derivatives to economically hedge a portion of our anticipated future production. Any payments due to counterparties under our derivative contracts are funded by proceeds received from the sale of our production. Production receipts, however, lag payments to the counterparties. Any interim cash needs are funded by cash from operations or borrowings under our Credit Agreement.

Interest Rate Risk

At September 30, 2024, our exposure to interest rate changes related primarily to the borrowings under the Credit Agreement. The interest we pay on these borrowings is set periodically based upon market rates. We had total indebtedness of $195.0 million outstanding under our Credit Agreement at September 30, 2024. The impact of a one percent increase in interest rates on this amount of debt would result in increased annual interest expense of approximately $2.0 million.

We may utilize interest rate derivatives to alter interest rate exposure in an attempt to reduce interest rate expense related to existing debt issues. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio. We had no outstanding interest rate derivative contracts at September 30, 2024.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of September 30, 2024, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2024, our disclosure controls and procedures were effective at a level of reasonable assurance.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the third quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. ***Legal Proceedings***

Our Company was not a party to any material legal proceedings during the three months ended September 30, 2024. In the future, the Company may be subject from time to time to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business.

Item 1A. ***Risk Factors***

There have been no material changes in our risk factors from those described in our 2023 Form 10-K.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Granite Ridge Resources, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2022).
3.2	Amended and Restated Bylaws of Granite Ridge Resources, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2022).
10.1	Fourth Amendment to Credit Agreement, dated as of November 1, 2024, by and among Granite Ridge Resources, Inc., as borrower, the guarantors party thereto, Bank of America, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2024).
31.1*	Certification of the Company's Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of the Company's Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1*	Certification of the Company's Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed or furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GRANITE RIDGE RESOURCES, INC.

November 7, 2024 By: /s/ LUKE C. BRANDENBERG
Name: Luke C. Brandenberg
Title: *President and Chief Executive Officer*

November 7, 2024 By: /s/ TYLER S. FARQUHARSON
Name: Tyler S. Farquharson
Title: *Chief Financial Officer*

November 7, 2024 By: /s/ KIMBERLY A. WEIMER
Name: Kimberly A. Weimer
Title: *Chief Accounting Officer*