Tuktu Resources Ltd.

Unaudited Interim Condensed Financial Statements

As at June 30, 2026 and for the three and six months ended

June 30, 2026 and 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INTERIM CONDENSED FINANCIAL REPORTING

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the Interim condensed financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

These accompanying unaudited condensed interim financial statements of Tuktu Resources Ltd have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these Interim condensed financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for review of interim financial statements by an entity's auditors.

Tuktu Resources Ltd.

Interim Condensed Statements of Financial Position
(unaudited)

as at (Expressed in CDN dollars)	Notes		**June 30, 2026**		December 31, 2025
Assets					
Current assets					
Cash and cash equivalents		**$**	**1,181,480**	$	2,124,379
Accounts receivable			**482,254**		613,426
Prepaid expenses and deposits			**630,135**		366,899
Total current assets			**2,293,869**		3,104,704
Mineral property security deposits	3		**32,835**		32,835
Deposits	8		**1,268,634**		1,268,634
Investments	4		**155,089**		205,532
Exploration and evaluation assets	5		**957,027**		957,027
Property, plant and equipment	6		**7,167,004**		9,343,837
Total assets		**$**	**11,874,458**	$	14,912,569
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**1,739,388**	$	1,842,617
Warrant liability	7		**-**		2,250
Promissory note	8		**385,542**		307,346
Lease obligation	10		**43,090**		100,899
Decommissioning obligations	9		**449,696**		447,622
Total current liabilities			**2,617,716**		2,700,734
Promissory note	8		**-**		260,759
Lease obligation	10		**-**		47,827
Decommissioning obligations	9		**6,691,450**		6,486,702
Total liabilities			**9,309,166**		9,496,022
Shareholders' equity					
Share capital	11		**23,411,114**		23,411,114
Warrants	11		**1,582,410**		1,899,610
Contributed surplus	11		**8,741,518**		8,463,484
Deficit			**(31,169,750)**		(28,357,661)
Total shareholders' equity			**2,565,292**		5,416,547
Total liabilities and shareholders' equity		**$**	**11,874,458**	$	14,912,569
Going concern	1				
Subsequent event	7				

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Loss and Comprehensive Loss
(unaudited)

(Expressed in CDN dollars)	Notes	Three months ended ended June 30, 2026	Three months ended ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Revenue					
Petroleum and natural gas sales	14	**$ 1,447,291**	$ 2,438,608	**$ 2,888,357**	$ 5,713,170
Royalties		**(234,901)**	(676,486)	**(461,182)**	(1,704,294)
		1,212,390	1,762,122	**2,427,175**	4,008,876
Expenses					
Operating		**822,199**	1,176,519	**1,555,648**	2,489,602
Transportation		**29,026**	38,910	**60,684**	125,671
General and administrative	15	**274,606**	615,797	**1,179,876**	1,159,349
Remeasurement (gain) loss on warrant liability	7	**-**	(733,108)	**(2,250)**	(487,385)
Share-based compensation	12	**9,275**	65,199	**(39,166)**	128,888
Depletion and depreciation	6	**259,598**	648,015	**568,611**	1,390,140
Impairment expense	6	**-**	-	**1,748,130**	-
Gain on sale of asset	4	**(11,180)**	-	**(11,180)**	-
Unrealized (gain) loss on investments	4	**(14,978)**	(14,050)	**50,443**	2,337
		1,368,546	1,797,282	**5,110,796**	4,808,602
Net finance income (expense)	16	**(78,324)**	(36,210)	**(128,468)**	(1,121)
Net loss and comprehensive loss		**$ (234,480)**	$ (71,370)	**$ (2,812,089)**	$ (800,847)
Net loss per share					
Basic and diluted	13	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Changes in Shareholders' Equity

(unaudited)

(Expressed in CDN dollars)	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2024		$ 22,778,134	$ 1,954,029	$ 8,223,822	$ (21,272,954)	$ 11,683,031
Share based compensation		-	-	188,402	-	188,402
Broker warrant exercise		4,283	991	(1,754)	-	3,520
Warrant exercise		628,697	(55,410)	-	-	573,287
Net loss for the period		-	-	-	(800,847)	(800,847)
Balance at June 30, 2025		$ 23,411,114	$ 1,899,610	$ 8,410,470	$ (22,073,801)	$ 11,647,393

	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2025	11	$ 23,411,114	$ 1,899,610	$ 8,463,484	$ (28,357,661)	$ 5,416,547
Share based compensation	12	-	-	(39,166)	-	(39,166)
Warrant expiry	11	-	(317,200)	317,200	-	-
Net loss for the period		-	-	-	(2,812,089)	(2,812,089)
Balance at June 30, 2026		$ 23,411,114	$ 1,582,410	$ 8,741,518	$ (31,169,750)	$ 2,565,292

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Cash Flows
(unaudited)

(Expressed in CDN dollars)	Notes	Three months ended ended June 30, **2026**	2025	Six months ended June 30, **2026**	2025
Cash provided by (used in):					
Operating activities					
Net loss for the period		**$ (234,480)**	$ (71,370)	**$ (2,812,089)**	$ (800,847)
Non-cash items:					
Remeasurement (gain) loss on warrant liability	7	**-**	(733,108)	**(2,250)**	(487,385)
Depletion and depreciation	6	**259,598**	648,015	**568,611**	1,390,140
Impairment expense	6	**-**	-	**1,748,130**	-
Share-based compensation	12	**9,275**	65,199	**(39,166)**	128,888
Accretion	9	**31,263**	25,855	**62,699**	53,344
Interest on lease obligation	10	**1,458**	2,882	**4,377**	5,960
Promissory note	8	**47,507**	29,251	**72,227**	13,888
Unrealized (gain) loss on investments	4	**(14,978)**	(14,050)	**50,443**	2,337
Security deposit		**-**	(33,800)	**-**	(33,800)
Change in non-cash working capital	17	**(389,029)**	(348,496)	**(235,293)**	368,487
		(289,386)	(429,622)	**(582,311)**	641,012
Investing activities					
Capital expenditures - property, plant and equipment	6	**(18,022)**	(769,299)	**(43,483)**	(5,712,969)
Capital expenditures - exploration and evaluation	5	**-**	(18,178)	**-**	(847,910)
Interest earned on mineral property security deposits	3	**-**	(53)	**-**	(124)
Change in non-cash working capital	17	**-**	(1,742,503)	**-**	52,972
		(18,022)	(2,530,033)	**(43,483)**	(6,508,031)
Financing activities					
Repayments of promissory note	8	**(175,077)**	(72,295)	**(254,790)**	(189,505)
Proceeds from broker warrant exercise	11	**-**	-	**-**	3,520
Proceeds from warrant exercise	11	**-**	-	**-**	472,949
Lease payments	10	**(30,620)**	(12,796)	**(62,315)**	(19,319)
Change in non-cash working capital	17	**-**	-	**-**	(37,253)
		(205,697)	(85,091)	**(317,105)**	230,392
Decrease in cash and cash equivalents		**(513,105)**	(3,044,746)	**(942,899)**	(5,636,627)
Cash and cash equivalents - beginning of period		**1,694,585**	6,546,996	**2,124,379**	9,138,877
Cash and cash equivalents - end of period		**$ 1,181,480**	$ 3,502,250	**$ 1,181,480**	$ 3,502,250
Cash		**$ 1,181,480**	$ 416,375	**$ 1,181,480**	$ 416,375
Redeemable guaranteed investment certificates		**$ -**	$ 3,085,875	**$ -**	$ 3,085,875

See accompanying notes to the interim condensed financial statements.

1. Corporate information

Tuktu Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange under the symbol "TUK". The Company is in the business of oil and natural gas exploration, development and production. The Company's registered and head office is located at 1750, 444 – 5th Ave SW, Calgary, Alberta, Canada, T2P 2T8.

Going concern:

These unaudited interim condensed financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At June 30, 2026, the Company has an accumulated deficit of $31.2 million since inception (December 31, 2025 - $28.4 million). For the three and six months ended June 30, 2026, the Company reported net losses of $0.2 million (three months June 30, 2025 - $0.1 million net loss) and $2.8 million (six month ended June 20, 2025 $0.8 million net loss) and cash used in operating activities of $0.3 million (three month June 30, 2025 - cash used in operating activities $0.4 million) and $0.6 million (six months ended June 30, 2026 – cash from operations of $0.6 million. The Company's working capital deficit as at June 30, 2026 is $0.3 million (December 31, 2025 – working capital surplus $0.4 million).

The Company's ability to continue as a going concern is dependent upon its existing working capital being sufficient to sustain operating activities while the Company attempts to generate positive cash flows from operations, secure funding from debt or equity financings or make other arrangements which may not be available. There can be no assurance one or more of the alternatives will be successful.

These conditions indicate a material uncertainty that may cast significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

2. Basis of presentation

a) Statement of compliance:

These unaudited interim condensed financial statements have been prepared by management in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") under accounting principles consistent with IFRS Accounting Standards ("IFRS") as issued by the IASB.

These unaudited interim condensed financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2025. The Company applied the same accounting policies outlined by the Company in its most recent annual financial statements except as noted below. These unaudited interim condensed financial statements do not include all the information required for full annual financial statements.

These unaudited interim condensed financial statements were authorized for issue by the Board of Directors on August 24, 2026.

b) Functional and presentation currency:

These unaudited interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

c) Basis of measurement:

These unaudited interim condensed financial statements have been prepared on the historical cost basis, except for certain financial and non-financial assets and liabilities which have been measured at fair value.

d) Use of estimates and judgments:

The preparation of the unaudited interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements, estimates and assumptions made by management in these unaudited interim condensed financial statements are outlined in note 2 of the Company's annual financial statements as at and for the year ended December 31, 2025. There have been no changes in the Company's judgements, estimates, accounting policies or determination of fair values applied during the interim period ended June 30, 2026, relative to those described in the most recent annual financial statements as at and for the year ended December 31, 2025, except as noted below.

e) Summary of new accounting policies and disclosure

During the year, the Company adopted amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures". These amendments clarify the date of recognition and derecognition of some financial assets and liabilities. These amendments did not have a material impact on the Company's interim condensed financial statements.

3. Mineral property security deposits

The Company is required to maintain safekeeping deposits with the Government of British Columbia as a condition of certain mineral claims. These deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The deposits are held in guaranteed investment certificates with annual maturity dates and interest rates of 2.0% (December 31, 2025 – 2.0%) or in trust with the government ministry. As at June 30, 2026, the Company had $32,835 (December 31, 2025 - $32,835) on deposit.

4. Investments

		June 30, 2026		December 31, 2025
Balance, beginning of period	**$**	**205,532**	$	107,374
Unrealized gain (loss)		**(50,443)**		98,158
Balance, end of period	**$**	**155,089**	$	205,532

On October 13, 2023, as consideration for the sale of the Isintok mining claims the Company received 2,150,538 units of Cascade Copper Corp. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant shall be exercisable for one common share at an exercise price of $0.15 for a period of three years and vest on September 28, 2024. On June 30, 2026, the investment was revalued to its fair value of $155,089, resulting in an unrealized gain of $14,978 for the three months ended June 30, 2026 (three months ended June 30, 2025 - $14,050 gain). For the six months ended June 30, 2026 a $50,443 unrealized loss was recognized (six months ended June 30, 2025 - $2,337 gain).

During the six months ended June 30, 2026, the Company sold its remaining 10% of the Isintok property to Cascade Copper Corp. for cash consideration of $10,000.

The fair value of the warrants on June 30, 2026 and on December 31, 2025 was determined using the Black-Scholes pricing model with the following inputs:

		June 30, 2026		December 31, 2025
Share price	**$**	**0.060**	$	0.070
Risk-free interest rate		**2.71%**		2.55%
Expected life (years)		**0.28**		0.78
Expected volatility		**312%**		296%
Fair value	**$**	**0.024**	$	0.051

5. Exploration and evaluation assets

		June 30, 2026		December 31, 2025
Balance, beginning of period	**$**	**957,027**	$	54,468
Additions		**-**		902,559
Balance, end of period	**$**	**957,027**	$	957,027

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of proved and probable petroleum and natural gas reserves. The Company concluded that there were no indicators of impairment on its exploration and evaluation assets at June 30, 2026 or December 31, 2025.

6. Property, plant and equipment

		Oil and gas assets		Right of use assets		Office and other assets		Total
Cost								
Balance at December 31, 2024	$	13,382,733	$	61,329	$	48,108	$	13,492,170
Additions		6,033,097		127,435		1,450		6,161,982
Capitalized stock-based compensation		47,046		-		-		47,046
Changes in decommissioning liabilities		(756,097)		-		-		(756,097)
Balance at December 31, 2025		18,706,779		188,764		49,558		18,945,101
Additions		43,483		-		-		43,483
Transfer of assets		70,639		(70,639)		-		-
Disposal of assets		-		(63,762)		-		(63,762)
Changes in decommissioning liabilities		144,123		-		-		144,123
Balance at June 30, 2026	$	18,965,024	$	54,363	$	49,558	$	19,068,945
Accumulated depletion and depreciation								
Balance at December 31, 2024	$	(3,031,773)	$	-	$	(32,864)	$	(3,064,637)
Depletion and depreciation		(2,311,665)		(40,279)		(4,683)		(2,356,627)
Impairment		(4,180,000)		-		-		(4,180,000)
Balance at December 31, 2025		(9,523,438)		(40,279)		(37,547)		(9,601,264)
Depletion and depreciation		(546,546)		(20,263)		(1,802)		(568,611)
Disposal of assets		-		16,064				16,064
Impairment		(1,748,130)		-		-		(1,748,130)
Balance at June 30, 2026	$	(11,818,114)	$	(44,478)	$	(39,349)	$	(11,901,941)
Net book value								
As at December 31, 2025	$	9,183,341	$	148,485	$	12,011	$	9,343,837
As at June 30, 2026	$	7,146,910	$	9,885	$	10,209	$	7,167,004

As at June 30, 2026, future development costs of $55.5 million were included in the calculation of depletion (December 31, 2025 –$58.6 million).

The Company capitalized $1,913 (three months ended June 30, 2025 - $184,733) of general and administrative costs and $nil (three months ended June 30, 2025 - $30,003) of stock-based compensation to PP&E for the three months ended June 30, 2026.

The Company capitalized $1,947 (six months ended June 30, 2025 - $406,362) of general and administrative costs and $nil (six months ended June 30, 2025 - $59,514) of stock-based compensation to PP&E for the six months ended June 30, 2026.

Impairment

Penny CGU

As at June 30, 2026, there were no indicators of impairment.

Southern Alberta Natural Gas CGU

On March 17, 2023, the Company closed the acquisition of the Pincher Creek asset located within the Southern Alberta Natural gas CGU, whereby the Company became the beneficial owner of the property. Pursuant to the terms of the sales agreement, the third-party vendor had to satisfy all its outstanding non-compliance issues with the AER prior to any transfer of licenses. On March 9, 2026, the third party received a closure order on the related licenses from the AER for non-compliance, which the third-party vendor failed to rectify. As a result, the Pincher Creek licenses were transferred to the Orphan Well Association ("OWA").

Due to the closure order and transfer of assets to the OWA, the Company, as the beneficial owner, has determined that the Pincher Creek asset has a $nil recoverable amount and has written-off all costs capitalized relating to the asset. In total the Company incurred an impairment charge of $1,748,130. The Company has continued to recognize the decommissioning obligation as a current obligation until the outstanding working interest ownership can be resolved with the OWA.

As a June 30, 2026, there were no further indicators of impairment.

Impairment – as at December 31, 2025

Penny CGU

As at December 31, 2025, indicators of impairment for the Company's Penny CGU were identified due to an unsuccessful drilling program in 2025. As a result, an impairment test was performed. The recoverable amount of the Penny CGU was estimated at fair value less costs to sell. This estimate was based on before-tax discounted cash flows from proved developed producing oil and natural gas reserves.

At December 31, 2025, it was determined that the carrying value of the Penny CGU exceeded its recoverable amount and a $4.18 million impairment was recognized. The after-tax discount rate applied in the calculation was 12%.

Southern Alberta Natural Gas CGU

As at December 31, 2025, indicators of impairment for the Company's Southern Alberta Natural Gas CGU were identified due to continued depressed natural gas prices. As a result, an impairment test was performed. The recoverable amount of the Southern Alberta Natural gas CGU was estimated at fair value less costs to sell. This estimate was based on before-tax discounted cash flows from proved developed producing oil and natural gas reserves.

At December 31, 2025, it was determined that the carrying value of the Southern Alberta Natural gas CGU was below its recoverable amount therefore no impairment was recognized. The after-tax discount rate applied in the calculation was 14%.

The results of the Corporation's impairment tests are sensitive to changes in several key assumptions. These include forecasted oil and natural gas commodity prices, forecasted production, forecasted operating costs, forecasted royalty costs, and future development costs. All of these factors impact the estimate of cash flows from proved and probable oil and natural gas reserves. Additionally, changes in the discount rate could

decrease or increase the estimated recoverable amounts of CGUs, which could result in additional impairment charges or the recovery of previously recorded impairment charges.

The following table outlines forecasted oil and natural gas commodity prices and exchange rates used in the impairment test at December 31, 2025. The forecasted oil and natural gas commodity prices are based on Deloitte's pricing forecast which are those used by the Company's external reserve evaluator and are a significant assumption in assessing the recoverable amount. The reserve report also includes significant financial assumptions regarding forecasted production volumes, forecasted royalty rates and forecasted operating costs that can significantly impact the recoverable amounts which are assigned based on the historic rates and future anticipated activities.

Year	WTI Cushing OK 40 API ($/bbl)	Canadian Light Sweet Crude 40 API ($/bbl)	AECO Gas Price ($/Mcf)	CAD to USD Exchange
2026	$58.00	$74.65	$2.95	0.730
2027	$61.20	$76.50	$3.55	0.750
2028	$67.65	$84.65	$3.65	0.750
2029	$69.00	$86.35	$3.70	0.750
2030	$70.35	$88.05	$3.80	0.750
2031	$71.75	$89.80	$3.85	0.750
2032	$73.20	$91.60	$3.95	0.750
2033	$74.65	$93.45	$4.00	0.750

As at December 31, 2025, a one percent increase in the assumed discount rate and/or a five percent decrease in the forecast operating cash flows would have the following change on the recoverable amount, before decommissioning obligations.

CGU	One percent increse in discount rate	Five percent decrease in cash flows	One percent increase in discount rate and five percent decrease in cash flows
Penny	$75,000	$166,000	$241,000
Southern Alberta Gas	$119,000	$213,000	$332,000

7. Warrant liability

		June 30, 2026		December 31, 2025
Balance, beginning of period	$	**2,250**	$	881,399
Exercised		**-**		(100,338)
Remeasurement (gain) loss		**(2,250)**		(778,811)
Balance, end of period	$	**-**	$	2,250

On July 15, 2022, as part of the Recapitalization Transaction, the Company issued 51,941,773 Units comprised of one common share and one common share purchase warrant at $0.09 per unit. Each warrant entitles holders to acquire one common share at an exercise price of $0.11 prior to the date that is four years from the date of issuance of the warrants. The warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares equaling or exceeding $0.13, $0.155 and $0.18, respectively. As at June 30, 2026, 32,689,763 warrants have vested and are exercisable. The warrants issued were classified as a financial liability as a result of a cashless exercise provision. In no event will the Company be required to settle the warrants through a cash payment.

The fair value of the warrants on June 30, 2026 and on December 31, 2025 was determined using the Black-Scholes pricing model with the following inputs:

		June 30, 2026		December 31, 2025
Share price	**$**	**0.02**	$	0.04
Risk-free interest rate		**2.71%**		2.55%
Expected life (years)		**0.04**		0.54
Expected volatility [1]		**55%**		54%
Fair value	**$**	**0.0000**	$	0.0001

[1] Expected volatility is based on a historical peer group volatility

The Company recorded a $nil remeasurement gain on the warrant liability for the three months ended June 30, 2026 (three months ended June 30, 2025: $733,108 gain).

The Company recorded a $2,250 remeasurement gain on the warrant liability for the six months ended June 30, 2026 (six months ended June 30, 2025: $487,385 gain).

Subsequent to quarter end the warrants expired.

8. Promissory note

		June 30, 2026		December 31, 2025
Balance, beginning of period	**$**	**568,105**	$	792,846
Repayment		**(254,790)**		(329,466)
Revisions to estimates		**20,311**		(26,778)
Accretion expense		**51,915**		131,503
Balance, end of period	**$**	**385,541**	$	568,105
Current	**$**	**385,541**	$	307,346
Long-term	**$**	**-**	$	260,759

On May 13, 2024, Tuktu agreed to a $1,234,834 promissory note from an arm's length third party. The proceeds from the promissory note were used to fund deposits with the Alberta Energy Regulator required as a condition of licence transfers for certain asset acquisitions.

The promissory note is interest free, senior secured over the Company's assets, matures on or before June 1, 2027, and requires monthly payments beginning on July 25, 2024. The monthly payments are calculated by multiplying the Company's production times a percentage ranging from 10% to 20% depending on WTI price times the realized commodity price. The Company repaid $175,077 and $254,790 (June 30, 2025 - $72,295 and $189,505) of the principal balance during the three and six months ended June 30, 2026.

The promissory note was initially measured at fair value and then subsequently measured at amortized cost using an effective interest rate of 20%.

9. Decommissioning obligations

The Company's decommissioning obligations result from net ownership interests in oil and gas assets. The Company estimated the total inflated and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $14,000,636 (December 31, 2025 - $13,868,782). These payments are expected to be made between 1 and 58 years. A risk-free rate of 3.77% (December 31, 2025 – 3.85%) and an inflation rate of 2.06% (December 31, 2025 – 1.98%) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

		June 30, 2026		December 31, 2025
Balance, beginning of period	$	**6,934,324**	$	7,575,233
Additions		**-**		61,778
Revisions to estimates [1]		**144,123**		(817,875)
Accretion expense		**62,699**		115,188
Balance, end of period	$	**7,141,146**	$	6,934,324
Current	$	**449,696**	$	447,622
Long-term	$	**6,691,450**	$	6,486,702

(1) The revisions to estimates in 2026 are due to the change in estimated abandonment and reclamation cost of $nil (December 31, 2025 – ($545,720) and change in discount and inflation rates totaling $144,123 (December 31, 2025 – ($272,155).

10. Lease obligation

The following table reconciles the changes in the lease obligation for the periods:

		June 30, 2026		December 31, 2025
Balance, beginning of period	$	**148,726**	$	61,329
Additions		**-**		127,435
Disposal		**(47,697)**		-
Interest expense		**4,376**		11,171
Lease payments		**(62,315)**		(51,209)
Balance, end of period	$	**43,090**	$	148,726
Current	$	**43,090**	$	100,899
Long-term	$	**-**	$	47,827

During the six months end June 30, 2026, the Company disposed it's vehicle lease and bought out its equipment lease.

11. Share capital

Common shares

a) Authorized - unlimited common shares without nominal or par value.

b) Issued and outstanding:

	June 30, 2026			December 31, 2025		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	**265,563,547**	$	**23,411,114**	259,813,919	$	22,778,134
Exercise of broker warrants	**-**		**-**	70,400		4,283
Exercise of warrants	**-**		**-**	5,679,228		628,697
Balance, end of period	**265,563,547**	$	**23,411,114**	265,563,547	$	23,411,114

Warrants

	June 30, 2026			December 31, 2025		
	Number of Warrants		**Amount**	Number of Warrants		Amount
Balance, beginning of period	**119,109,357**	**$**	**1,899,610**	123,050,957	$	1,954,029
Issued on exercise of broker warrants	**-**		**-**	70,400		991
Exercised	**-**		**-**	(4,012,000)		(55,410)
Expired	**(10,000,000)**		**(317,200)**	-		-
Balance, end of period	**109,109,357**	**$**	**1,582,410**	119,109,357	$	1,899,610

During the six months ended June 30, 2026, 10,000,000 warrants expired unexercised. Upon expiry, the carrying value associated with these warrants of $317,200 was transferred from the warrants to contributed surplus. This transfer was recorded within shareholders' equity and did not result in the recognition of a gain or loss.

During the year ended December 31, 2025, 70,400 warrants were issued upon the exercise of broker warrants. The allocated value of the warrants was $991.

During the year ended December 31, 2025, 4,012,000 warrants were exercised for 4,012,000 common shares for total proceeds of $300,900. The allocated value of $55,410, along with the proceeds received, were credited to share capital.

Summary information with respect to warrants outstanding at June 30, 2026 is provided below:

Issued	Number outstanding	Exercise price ($)	Contractual life remaining (years)
28-Dec-23	28,626,955	0.075	0.49
28-May-24	24,650,000	0.075	0.91
21-Nov-24	55,832,402	0.130	0.39
	109,109,357	0.103	0.54

Broker Warrants

	June 30, 2026			December 31, 2025		
	Number of Warrants		**Amount**	Number of Warrants		Amount
Balance, beginning of period	**7,922,965**	**$**	**212,199**	7,993,365	$	213,953
Exercised	**-**		**-**	(70,400)		(1,754)
Balance, end of period	**7,922,965**	**$**	**212,199**	7,922,965	$	212,199

During the year ended December 31, 2025, 70,400 broker warrants were exercised for 70,400 common shares and 70,400 warrants for total proceeds of $3,520.

Summary information with respect to broker warrants outstanding at June 30, 2026 is provided below:

Issued	Number outstanding	Exercise price ($)	Contractual life remaining (years)
28-Dec-23	47,744	0.050	0.49
28-May-24	1,842,000	0.050	0.91
21-Nov-24	6,033,221	0.090	0.39
	7,922,965	0.080	0.51

12. Share-based compensation

The following table reflects the Company's stock options for which shares have been reserved:

	June 30, 2026			December 31, 2025		
	Number of Options		**Weighted average exercise price**	Number of Options		Weighted average exercise price
Balance, beginning of period	**14,860,000**	**$**	**0.09**	20,240,000	$	0.09
Granted	**-**		**-**	660,000		0.09
Forfeited	**(11,620,000)**		**0.09**	(6,040,000)		0.10
Balance, end of period	**3,240,000**	**$**	**0.09**	14,860,000	$	0.09

On January 6, 2025, the Company granted 220,000 stock options with a five-year term and a $0.095 exercise price. The fair value of each option was estimated on the date of grant using the Black Scholes pricing model using the following assumptions:

Share price	**$**	**0.10**
Risk-free interest rate		**2.82%**
Expected life (years)		**5.00**
Expected volatility [(1)]		**82%**
Fair value	**$**	**0.067**

[(1)] Expected volatility is based on a historical peer group volatility

On January 27, 2025, the Company granted 200,000 stock options with a five-year term and a $0.14 exercise price. The fair value of each option was estimated on the date of grant using the Black Scholes pricing model using the following assumptions:

Share price	**$**	**0.14**
Risk-free interest rate		**2.82%**
Expected life (years)		**5.00**
Expected volatility [(1)]		**81%**
Fair value	**$**	**0.093**

[(1)] Expected volatility is based on a historical peer group volatility

On August 22, 2025, the Company granted 240,000 stock options with a five-year term and a $0.05 exercise price. The fair value of each option was estimated on the date of grant using the Black Scholes pricing model using the following assumptions:

Share price	**$**	**0.05**
Risk-free interest rate		**2.90%**
Expected life (years)		**5.00**
Expected volatility [(1)]		**67%**
Fair value	**$**	**0.029**

[(1)] Expected volatility is based on a historical peer group volatility

Summary information with respect to options outstanding at June 30, 2026 is provided below:

Number outstanding	Exercise price ($)	Contractual life remaining (years)	Number exercisable	Exercise price ($)
400,000	0.15	1.06	400,000	0.15
200,000	0.15	1.45	200,000	0.15
900,000	0.05	3.05	300,000	0.05
1,080,000	0.09	3.43	360,000	0.09
220,000	0.10	3.52	73,333	0.10
200,000	0.14	3.58	66,667	0.14
240,000	0.05	4.14	-	-
3,240,000	0.09	2.67	1,400,000	0.11

For the three months ended June 30, 2026, the Company recorded stock-based compensation expense of $9,275 (three months ended June 30, 2025 - $65,199) and capitalized stock-based compensation expense of $nil (three months ended June 30, 2025 - $30,003) for stock options outstanding.

For the six months ended June 30, 2025, the Company recorded stock-based compensation recovery of $39,166 as a result of 11,620,000 options being forfeited. A cost recovery was only recognized on options that were unvested. (six months ended June 30, 2025 - $128,888) and capitalized stock-based compensation expense of $nil (six months ended June 30, 2025 - $59,514) for stock options outstanding.

13. Per share amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Net loss	**$ (234,480)**	$ (71,370)	**$ (2,812,089)**	$ (800,847)
Weighted average common shares outstanding				
Basic and diluted	**265,563,547**	265,505,684	**265,563,547**	264,253,306
Net loss per common share:				
Basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)

Basic per share amounts are calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to determine the impact of dilutive securities. The reconciling items between the basic and diluted average common shares outstanding are stock options, warrants and broker warrants. Stock options, warrants and broker warrants that were out of the money were excluded from the diluted average common shares outstanding calculation. In periods where the Company recognizes a net loss, the effect of stock options, warrants and broker warrants are removed as they are anti-dilutive. For the three and six months ended June 30, 2026, there were 3,240,000 stock options (June 30, 2025: 20,660,000), 159,113,044 warrants (June 30, 2025: 169,113,044) and 7,922,965 broker warrants (June 30, 2025: 7,922,965) excluded from the calculation of diluted shares outstanding as their effect was anti-dilutive.

14. Revenue

The Company sells its production pursuant to variable-price contracts. The transaction price is based on the commodity price, adjusted for quality, location or other factors. Under the contracts the Company is required to deliver a variable volume of crude oil, condensate, natural gas or natural gas liquids to the customer.

The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

Crude oil and natural gas are sold under contracts of varying terms. Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's petroleum and natural gas sales:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Crude oil	**$ 1,191,830**	$ 2,121,329	**$ 2,304,644**	$ 4,981,356
Natural gas	**255,461**	317,279	**583,713**	731,814
Petroleum and natural gas revenues	**$ 1,447,291**	$ 2,438,608	**$ 2,888,357**	$ 5,713,170

Included in accounts receivable as at June 30, 2026, is $395,981 (December 31, 2025 – $523,590) of accrued petroleum and natural gas sales related to June 2026 production.

15. General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Salaries and benefits	**$ (45,180)**	$ 487,878	**$ 411,554**	$ 966,613
Professional fees	**27,831**	107,025	**87,332**	202,484
Consulting fees	**252,971**	26,527	**480,674**	60,332
Directors fees	**16,576**	39,780	**47,826**	77,172
Insurance	**11,155**	10,402	**21,500**	21,046
Office and miscellaneous	**19,409**	109,759	**94,361**	198,653
Transfer agent, filing fees and news releases	**1,169**	23,935	**47,599**	44,937
Overhead recoveries	**(7,412)**	(4,776)	**(9,023)**	(5,526)
Capitalized salaries	**(1,913)**	(184,733)	**(1,947)**	(406,362)
	$ 274,606	$ 615,797	**$ 1,179,876**	$ 1,159,349

16. Finance income and expense

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Finance income				
Interest on short term investments	**$ 5,911**	$ 26,050	**$ 15,232**	$ 81,276
Finance expense				
Part XII.6 interest on flow-through expenditures under the look-back rule	**(4,005)**	(4,272)	**(7,901)**	(8,393)
Accretion (note 9)	**(31,263)**	(25,855)	**(62,699)**	(53,344)
Promissory note (note 8)	**(47,507)**	(29,251)	**(72,227)**	(13,888)
Interest on lease obligation (note 10)	**(1,460)**	(2,882)	**(4,376)**	(5,960)
Other finance expense	**-**	-	**3,503**	(812)
Net finance income (expense)	**$ (78,324)**	$ (36,210)	**$ (128,468)**	$ (1,121)

17. Change in non-cash working capital

		Three months ended June 30				Six months ended June 30			
		2026		2025		**2026**		2025	
Accounts receivable	**$**	**199,152**	$	354,164	**$**	**131,172**	$	379,797	
Prepaid expenses and deposits		**(230,150)**		(158,165)		**(263,236)**		(326,616)	
Accounts payable and accrued liabilities		**(358,031)**		(2,286,998)		**(103,229)**		331,025	
	$	**(389,029)**	$	(2,090,999)	**$**	**(235,293)**	$	384,206	
Operating activities	**$**	**(389,029)**	$	(348,496)	**$**	**(235,293)**	$	368,487	
Investing activities		**-**		(1,742,503)		**-**		52,972	
Financing activities		**-**		-		**-**		(37,253)	
	$	**(389,029)**	$	(2,090,999)	**$**	**(235,293)**	$	384,206	

18. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers capital structure to include shareholder's equity and working capital.

The Company monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its future oil and gas development. Value-creating activities may be financed with a combination of working capital and other sources of capital. See going concern note.

19. Financial instruments and risk management

The Company's financial instruments include cash and cash equivalents, accounts receivable, mineral property security deposits, deposits, investments, accounts payable and accrued liabilities and promissory note.

Fair value measurement

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lower priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivables, deposits, mineral property security deposits and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity. The fair value of the Company's investments have been assessed on the fair value hierarchy described above using level 1 for common shares traded on the Canadian Securities Exchange and level 2 for warrants. The fair value of the promissory note has been assessed using level 2 inputs.

The Company has exposure to credit risk, liquidity risk, interest rate risk and equity price risk as a result of its use of financial instruments. The Company has policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations that arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and natural gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

The Company mitigates credit risk by maintaining relationships with large, established, reputable and creditworthy purchasers. The Company attempts to mitigate risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure. Joint venture receivables are from partners in the oil and natural gas industry that are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. The Company has the ability to withhold production from joint interest partners in the event of non-payment.

The maximum credit exposure on accounts receivable at the reporting date by customer type was:

		June 30, 2026		December 31, 2025
Oil and natural gas marketing companies	**$**	**395,981**	$	523,590
Joint venture partners		**58,061**		66,905
Other		**28,212**		22,931
	$	**482,254**	$	613,426

As at June 30, 2026, the Company's accounts receivable was $482,254 (December 31, 2025: 613,426) of which $420,670 (December 31, 2025: $558,687) is current and $61,584 (December 31, 2025: $54,739) is past 90 days due.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. The information provided in Note 1 (Going Concern), results in material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As at June 30, 2026, the Company's financial liabilities were comprised of accounts payable and accrued liabilities and promissory note which have maturities of less than one year and promissory note which has a maximum maturity of one year.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable interest rate on its cash and cash equivalents as it has not entered into any interest rate hedging contracts. For the six months ended June 30, 2026 and 2025, if interest rates had been 1% higher with all other variables held constant, the change in net loss would have been insignificant.

d) Equity price risk

Equity price risk refers to the risk that the fair value of the investments will fluctuate due to changes in equity markets. Equity price risk arises from the realizable value of the investments that the Company holds which are subject to variable equity market prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.