PROSPERA ENERGY INC.
Condensed Consolidated Interim Financial Statements
As at and for the three and six months ended June 30, 2026
(Unaudited)

PROSPERA ENERGY INC.
Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(in Canadian dollars)

As at	Note	**June 30 2026**	December 31 2025 Audited
ASSETS			
Current			
Cash		$ **24,446**	$ 116,972
Trade and other receivables	4	**2,146,174**	1,525,300
Prepaid expenses and deposits		**411,750**	296,143
Inventory		**820,592**	932,350
Total current assets		**3,402,962**	2,870,765
Non-current			
Trade and other receivables	4	**16,604**	68,356
Deposits		**1,500,996**	1,315,673
Property and equipment	5	**54,147,597**	54,749,740
Total assets		$ **59,068,159**	$ 59,004,534
LIABILITIES			
Current			
Trade and other payables	6	$ **15,657,889**	$ 17,054,628
Current portion of lease liability	7	**187,518**	273,427
Promissory notes	8	**1,500,000**	1,892,500
GORR financing	10	**3,071,047**	2,942,198
Term loan	11	**22,088,547**	19,685,684
Current portion of decommissioning obligation	12	**580,081**	667,077
Total current liabilities		**43,085,082**	42,515,514
Non-current			
Trade and other payables	6	**586,272**	1,037,104
Lease liability	7	–	46,760
Convertible debentures	9	**2,530,559**	2,873,537
GORR financing	10	**307,433**	302,485
Term loan	11	–	1,350,000
Decommissioning obligation	12	**21,757,027**	21,416,253
Total liabilities		**68,266,373**	69,541,653
SHAREHOLDERS' DEFICIT			
Share capital	13	**36,803,582**	33,105,787
Share purchase warrants	14	**1,437,022**	819,438
Contributed surplus		**6,405,514**	5,680,610
Equity portion of convertible debentures	9	**753,999**	991,012
Deficit		**(54,598,331)**	(51,133,966)
Total shareholders' deficit		**(9,198,214)**	(10,537,119)
Total liabilities and shareholders' deficit		$ **59,068,159**	$ 59,004,534

Going concern (Note 2)
Contingencies (Note 25)
Subsequent event (Note 26)

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

PROSPERA ENERGY INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(unaudited)
(in Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2026	2025	**2026**	2025
Revenues					
Petroleum and natural gas sales	17	$ **6,184,396**	$ 4,902,540	$ **10,706,533**	$ 9,501,012
Royalties		**(954,067)**	(670,619)	**(1,528,294)**	(1,105,734)
		5,230,329	4,231,921	**9,178,239**	8,395,278
Expenses					
Operating		**3,219,026**	2,617,998	**6,453,883**	6,154,089
General and administrative	18	**744,181**	675,923	**1,498,789**	1,366,936
Depletion and depreciation	5	**960,312**	1,030,540	**1,868,340**	1,968,980
Accretion	12	**198,660**	169,447	**399,624**	321,249
Share-based compensation	15	**21,860**	37,647	**40,061**	55,884
		5,144,039	4,531,555	**10,260,697**	9,867,138
Income (loss) from operations		**86,290**	(299,634)	**(1,082,458)**	(1,471,860)
Finance expense, net	19	**1,160,813**	685,218	**2,596,142**	1,308,860
Gain on debt settlements, net	20	**(92,073)**	–	**(214,237)**	(53,151)
Loss and comprehensive loss		$ **(982,450)**	$ (984,852)	$ **(3,464,363)**	$ (2,727,569)
Loss per share					
Basic and diluted	16	$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.01)

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

PROSPERA ENERGY INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficit
(unaudited)
(in Canadian dollars)

For the six months ended June 30	Note	**2026**	2025
Share capital			
Balance, Beginning of period		$ **33,105,787**	$ 31,346,508
Shares issued	13	**703,726**	–
Shares issued on settlement of debt	13	**2,994,069**	50,000
Balance, End of period		**36,803,582**	31,396,508
Share purchase warrants			
Balance, Beginning of period		**819,438**	936,779
Warrants issued	14	**1,302,427**	–
Warrants expired	14	**(684,843)**	(48,290)
Balance, End of period		**1,437,022**	888,489
Contributed surplus			
Balance, Beginning of period		**5,680,610**	5,517,427
Warrants expired	14	**684,843**	48,290
Share-based compensation	15	**40,061**	55,884
Balance, End of period		**6,405,514**	5,621,601
Equity portion of convertible debentures			
Balance, Beginning of period		**991,012**	28,151
Settlement of convertible debentures	9	**(237,013)**	(28,151)
Issue of convertible debentures		–	32,395
Balance, End of period		**753,999**	32,395
Deficit			
Balance, Beginning of period		**(51,133,966)**	(39,809,656)
Loss for the period		**(3,464,363)**	(2,727,569)
Balance, End of period		**(54,598,331)**	(42,537,225)
Total shareholders' deficit		$ **(9,198,214)**	$ (4,598,232)

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

PROSPERA ENERGY INC.
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)
(in Canadian dollars)

For the six months ended June 30	Note	**2026**	2025
Cash flows provided by (used in) operating activities			
Loss for the period		$ **(3,464,363)**	$ (2,727,569)
Items not affecting cash:			
Depletion and depreciation	5	**1,868,340**	1,968,980
Accretion	12	**399,624**	321,249
Share-based compensation		**40,061**	55,884
Finance expense	19	**2,596,142**	1,308,860
Gain on debt settlements	20	**(214,237)**	(53,151)
Funds flow provided by operations		**1,225,567**	874,253
Decommissioning expenditures	12	**(86,996)**	(448,241)
Change in non-cash working capital	22	**(213,211)**	(1,475,757)
Net cash flows provided by (used in) operating activities		**925,360**	(1,049,745)
Cash flows provided by (used in) financing activities			
Lease payments	7	**(144,440)**	(140,625)
Proceeds from term loan	11	**650,000**	6,500,000
Repayment of promissory notes	8	**(210,000)**	–
Proceeds from convertible debentures		–	150,000
Issuance of units	13,14	**1,216,390**	–
Interest paid		**(1,205,838)**	(857,558)
Net cash flows provided by financing activities		**306,112**	5,651,817
Cash flows used in investing activities			
Property and equipment expenditures	5	**(1,325,046)**	(4,172,233)
Change in non-cash working capital	22	**1,048**	152,645
Net cash flows used in investing activities		**(1,323,998)**	(4,019,588)
Change in cash		**(92,526)**	582,484
Cash, beginning of period		**116,972**	364,083
Cash, end of period		$ **24,446**	$ 946,567

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

1. NATURE OF OPERATIONS

Prospera Energy Inc. (the "Corporation" or "Prospera") was incorporated under the Canada Business Corporations Act on April 14, 2003, as Georox Resources Inc. The Corporation changed its name to Prospera on June 28, 2018. The Corporation is listed on the TSX-Venture Exchange ("TSXV") under the ticker "PEI" and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation's registered office is Suite 730, 444 7th Ave SW, Calgary, Alberta, Canada, T2P 0X8.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Corporation will continue to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has historically met its working capital requirements and funded its capital and operating expenditure through funding received from the proceeds of share issuances and debt.

As at June 30, 2026, the Corporation has a working capital deficiency of $39,682,120 (December 31, 2025 – $39,644,749), and an accumulated deficit of $54,598,331 (December 31, 2025 – $51,133,966).

There is a material risk that the Corporation will be unable to meet its payable obligations as they become due. Management continually monitors and updates the Corporation's financing requirements and is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements in order to reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures and satisfy obligations as they become due.

The Corporation's ability to realize its assets and discharge its liabilities depends on its ability to produce its petroleum and natural gas reserves, manage its expenditures, and maintain adequate financing from shareholders and lenders. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect adjustments in the carrying values of the assets and liabilities and the statements of financial position classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee and adhere to the guidance of International Accounting Standard IAS 34 *Interim Financial Reporting.* Effective January 1, 2026, the Corporation adopted the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments*: *Disclosures,* the adoption of which did not have a material impact on these condensed consolidated interim financial statements. IFRS 18 *Presentation and Disclosure in Financial Statements*, effective for annual periods beginning on or after January 1, 2027, has been issued but not yet adopted. Certain information and disclosures included in the December 31, 2025 audited financial statements, prepared in accordance with IFRS Accounting Standards, have been condensed or omitted. The Corporation has consistently applied the same accounting policies throughout all periods presented except for the amendments noted above. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2025.

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of Prospera Energy Inc. and its wholly owned subsidiary, White Tundra.

Use of judgments and assumptions

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses for the reporting period. These judgments, estimates, and assumptions are based on current data and relevant information available to the Corporation at the time of preparation. Accordingly, actual results may differ from these estimates as future confirming events occur.

The unaudited condensed consolidated interim financial statements were authorized for issuance by the Corporation's Board of Directors on **July 29, 2026.**

4. TRADE AND OTHER RECEIVABLES

The Corporation's trade and other receivables relate to petroleum and natural gas sales revenue and are reported in the statement of financial position as follows:

	June 30 2026	December 31 2025
Current		
Petroleum and natural gas marketers	$ **2,146,174**	$ 1,331,897
Joint operating partners	–	45,008
Related Director and Officer (Note 21)	–	124,967
Other	–	23,428
	2,146,174	1,525,300
Non-current		
Joint operating partners	–	16,300
Other	**16,604**	52,056
	16,604	68,356
Total trade and other receivables	**$ 2,162,778**	**$ 1,593,656**

The aging of trade and other receivables is as follows:

	June 30 2026	December 31 2025
0 to 60 days	$ **2,146,174**	$ 1,355,583
61 to 90 days	–	–
Over 90 days	**16,604**	238,073
Total trade and other receivables	**$ 2,162,778**	**$ 1,593,656**

The Corporation's production is sold to multiple purchasers under normal industry sales and payment terms. Trade and other receivables are due from customers and joint operating partners in the Canadian petroleum and natural gas industry and are subject to normal industry-specific credit risk.

As at June 30, 2026, two customers each accounted for more than 10% of trade and other receivables, representing 82% of the total balance in aggregate (December 31, 2025 — three customers, 81% in aggregate).

(in Canadian dollars)

During the three months and six months ended June 30, 2026, the Corporation incurred $150,771 and $260,274, respectively (three and six months ended June 30, 2025 — $116,082 and $226,676) of finance charges in respect of the non-recourse factoring of a portion of its trade and other receivables (Note 19).

5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Total property and equipment
Cost			
Balance, December 31, 2025	$ 85,080,339	$ 830,203	$ 85,910,542
Additions	1,325,046	–	1,325,046
Decommissioning revisions (Note 12)	(58,850)	–	(58,850)
Balance, June 30, 2026	$ 86,346,535	$ 830,203	$ 87,176,738
Accumulated depletion, depreciation and impairment			
Balance, December 31, 2025	$ 30,518,139	$ 642,662	$ 31,160,801
Depletion and depreciation	1,789,271	79,069	1,868,340
Balance, June 30, 2026	$ 32,307,410	$ 721,731	$ 33,029,141
Carrying value			
At December 31, 2025	$ 54,562,200	$ 187,540	$ 54,749,740
At June 30, 2026	**$ 54,039,125**	**$ 108,472**	**$ 54,147,597**

In accordance with IAS 36, the Corporation assessed at June 30, 2026 whether there were any indicators that an asset or cash-generating unit ("CGU") may be impaired, and whether the impairment losses recognized in 2025 in respect of the Red Earth, Pouce Coupe, Brooks, and Loyalist CGUs may no longer exist or may have decreased. In performing this assessment, management considered external indicators, including movements in forecast crude oil and natural gas prices, changes in the discount rate, market interest rates, and the regulatory environment, as well as internal indicators, including changes in proved plus probable reserves, actual operating performance relative to budget, and the Corporation's capital expenditure and development plans. Based on this assessment, management did not identify any indicators of impairment, or of reversal of previously recognized impairment, as at June 30, 2026, and accordingly no impairment test was performed during the six months ended June 30, 2026.

<u>Future development costs</u>

As at June 30, 2026, the calculation of depletion included estimated future development costs of $60.9 million (December 31, 2025 – $60.9 million) associated with the development of the Corporation’s proved plus probable reserves.

<u>Overhead recoveries</u>

Cash additions for the three and six months ended June 30, 2026 include $nil (three and six months ended June 30, 2025 – $ 35,250 and $103,500) of recoveries related to the Corporation's working interest in operated capital expenditure programs on which overhead has been charged in accordance with standard industry operating agreements.

(in Canadian dollars)

6. TRADE AND OTHER PAYABLES

The Corporation's trade and other payables consist of:

	June 30 2026	December 31 2025
Current		
Trade payables	$ **14,771,930**	$ 16,683,313
Accrued liabilities and other payables	**885,959**	371,315
	15,657,889	17,054,628
Non-current		
Trade payables	**586,272**	1,037,104
	$ 16,244,161	**$** 18,091,732

Current trade payables are non-interest bearing and are typically settled on 30-to-120-day terms.

Non-current trade payables represent vendor balances for which the Corporation has agreed structured monthly repayment arrangements: As at June 30, 2026,

- Vendor A: balance in the amount of $2,982,959 (December 31, 2025 — $2,226,772) of which $164,150 (2025— $1,670,250) is included in non-current trade payables, bears interest at 9.9% per annum, calculated monthly, and is repayable in monthly instalments of combined principal and interest of $100,000 from January 2026 to July 2026 and $150,000 from August 2026 to December 2026.
- Vendor B: balance in the amount of $719,469 (December 31, 2025 — $nil) of which $422,122 (2025— $nil) is included in non-current trade payables, bears interest at 6.45% per annum, calculated monthly, and is repayable in monthly instalments of combined principal and interest of $25,000 from February 2026 to November 2028.

7. LEASE LIABILITY

Balance, December 31, 2025	$ 320,187
Imputed interest (Note 19)	11,771
Lease payments	(144,440)
Balance, June 30, 2026	**$ 187,518**
Current	$ 187,518
Non-current	–
	$ 187,518

The Corporation incurs lease payments related to office premises for which the related lease expires on February 28, 2027. As at June 30, 2026, the remaining minimum lease payments in each calendar year are as follows:

2026 (remainder)	$ 146,549
2027	49,376
	$ 195,925

(in Canadian dollars)

8. PROMISSORY NOTES

Balance, December 31, 2025	$ 1,892,500
Repayments (a) – (b)	(210,000)
Settlement of promissory notes (c) – (d)	(182,500)
Balance, June 30, 2026	**1,500,000**
Current portion	(1,500,000)
Non-current portion	$ –

Settled

(a) On February 10, 2026, the Corporation repaid a $10,000 14% Promissory Note in full in cash. No gain or loss was recognized on settlement.

(b) On March 16, 2026, the Corporation repaid a $200,000 12% Promissory Note in full in cash. No gain or loss was recognized on settlement.

(c) On March 8, 2026, the Corporation agreed to settle outstanding 14% promissory notes with an aggregate principal amount of $70,000 plus accrued interest of $16,550 through the issuance of 2,472,850 units under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share and one common share purchase warrant exercisable at $0.05 per share for a period of three years from the date of issuance. The aggregate carrying amount of the promissory notes plus accrued interest extinguished totaled $86,550, which was equal in aggregate to the fair value of the equity instruments issued — allocated between the common share component (at market) and the share purchase warrant component (at Black-Scholes-Merton fair value) using the residual method applied to the $0.035 per unit subscription price. Accordingly, no gain or loss was recognized on settlement (Notes 13 and 14).

(d) On March 3, 2026, the Corporation agreed to settle the 2025 0% promissory note with a principal amount of $112,500 (which had matured on November 16, 2025) through the issuance of 3,214,286 units under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share and one common share purchase warrant exercisable at $0.05 per share for a period of three years from the date of issuance. The aggregate carrying amount of the promissory note extinguished totaled $112,500, which was equal in aggregate to the fair value of the equity instruments issued (allocated using the residual method as described in (c) above). Accordingly, no gain or loss was recognized on settlement (Notes 13 and 14). As the holder of the note is a director of the Corporation, this settlement is a related party transaction (Note 21).

The outstanding principal amount of promissory notes is as follows:

	June 30 2026	December 31 2025
0% Promissory Notes, maturing November 16,2025	$ –	$ 112,500
14% Promissory Notes, maturing November 25, 2025	–	80,000
12% Promissory Notes, maturing in December 2025	–	200,000
12% Promissory Notes, maturing March 26, 2026	**1,500,000**	1,500,000
	$ 1,500,000	**$ 1,892,500**

The $1,500,000 principal amount of 12% promissory notes matured on March 26, 2026 and remains outstanding and unpaid as at June 30, 2026 and as at the date of approval of these condensed consolidated interim financial statements, the notes have not been formally extended, and the Corporate is in discussions with the holders regarding a refinancing. Interest continues to accrue at 12% per annum.

(in Canadian dollars)

During the three and six months ended June 30, 2026, the Corporation recognized $44,877 and $95,178 of interest expense respectively, (three and six months ended June 30, 2025 — $109,850 and $200,963) on promissory notes (Note 19).

9. CONVERTIBLE DEBENTURES

		Liability component	Equity component
Balance, December 31, 2025	$	2,873,537	991,012
Accretion		111,481	_
Interest		197,060	_
Settlement of convertible debentures		(651,567)	(237,013)
Balance, June 30, 2026		**2,530,559**	**753,999**
Current portion		–	–
Non-current portion	$	2,530,559	753,999

Between June and December 2025, the Corporation issued convertible debentures with an aggregate principal amount of $3,627,580. The financing received final TSX Venture Exchange acceptance on December 12, 2025. The convertible debentures mature on December 12, 2028 and bear interest at 12% per annum, calculated quarterly and payable at the earlier of the maturity date or the conversion date. At the Corporation's discretion, interest may be paid in cash or in common shares of the Corporation issued at the market price prevailing on the payment date.

The principal amount is convertible into units of the Corporation at a conversion price of $0.05 per unit if converted on or before December 12, 2026, or $0.10 per unit if converted between December 13, 2026 and December 12, 2028. The Corporation has the right to force conversion in the event the Corporation's common shares trade at a price of $0.125 or above for a period of ten or more consecutive trading days. Upon conversion, each unit comprises one common share of the Corporation and one common share purchase warrant exercisable at $0.05 per share for a period of three years from the closing date of the convertible debenture financing.

(a) On March 11, 2026, the Corporation settled outstanding convertible debentures with an aggregate principal amount of $867,580 into 17,351,600 common shares and 17,351,600 common share purchase warrants under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share of the Corporation and one common share purchase warrant exercisable at $0.05 per share for a period of three years from the date of issuance. The Black-Scholes-Merton model was used to estimate the fair value of the warrant component, using the following assumptions: share price $0.035, exercise price $0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years. (Notes 13 and 14).

During the three and six months ended June 30, 2026, the Corporation recognized $ 49,845 and $197,060, respectively (three and six months ended June 30, 2025 — $12,078 and $49,832), of interest expense and $31,746 and $111,481, respectively (three and six months ended June 30, 2025 — $4,066 and $4,066), of accretion on convertible debentures (Note 19).

During the three months ended June 30, 2026, the Corporation adjusted $69,932 of interest and accretion recognized in the first quarter of 2026 in respect of the convertible debentures settled through the issuance of units under PP11, comprising $48,980 of interest over-accrued and $20,952 of accretion recorded in excess of the amount required to the settlement date. The adjustment reduced the amounts previously allocated to share capital and share purchase warrants on settlement, with no effect on the carrying amount of the convertible debentures outstanding at June 30, 2026 (Notes 19 and 20).

(in Canadian dollars)

10. GORR FINANCING

Balance, December 31, 2025	$	3,244,683
Accretion		128,849
Amortization of transaction costs		4,948
Balance, June 30, 2026	**$**	**3,378,480**
Current portion		(3,071,047)
Non-current portion	$	307,433

2024 GORR financing
On June 1, 2024, the Corporation sold an aggregate 0.7% GORR on petroleum and natural gas sales, capped at 1,363 barrels per day calculated on a monthly average, from all of the Corporation's properties, for total consideration of $3,363,495 comprised of the transfer of $2,503,000 of promissory note principal (Note 8) and $248,180 of accrued promissory note interest included in trade and other payables and $612,315 of cash. Related transaction costs were $3,500.

On September 30, 2025, the Corporation amended the terms of $300,000 principal amount of the 2024 GORR (representing a 0.06% GORR) as follows:

- the royalty repurchase date was extended from April 15, 2026 to September 30, 2028;
- the GORR rate was increased to 0.132% on petroleum and natural gas sales, subject to a cap of 1,363 barrels per day calculated on a monthly average basis;
- the repurchase price was revised from 120% of the original purchase price to the greater of (i) $300,000 and (ii) seven times the average monthly GORR payment for the prior six months, annualized; and
- a conversion option was added, under which all or a portion of the $300,000 principal amount may be converted into units at $0.07 per unit (if converted in the first year) or $0.10 per unit (if converted in the second or third year). The Corporation has the right to force conversion in the event that the Corporation's common shares trade at $0.125 or above for a period of ten or more consecutive trading days. Upon conversion, each unit will comprise one common share and one common share purchase warrant exercisable at $0.05 per share for a period of three years from the date of conversion.

As at June 30, 2026, the 2024 GORR had an aggregate outstanding principal amount of $2,821,985, representing a 0.7% GORR on petroleum and natural gas revenue from all of the Corporation's properties. The mandatory repurchases of the $2,521,985 unamended portion of the 2024 GORR at 120% of the original purchase price, being approximately $3,026,000, was required to be completed on or before April 15, 2026 and was not completed. The Corporation has not obtained a formal waiver or extension of this obligation, and settlement discussions with the holders remain ongoing. The carrying amount of the unamended portion was $3,378,480 as at June 30, 2026 (December 31, 2025 — $3,244,683) and is presented within current liabilities.

During the three and six months ended June 30, 2026, the Corporation recognized $56,909 and $128,849, respectively (three and six months ended June 30, 2025 —$30,727 and $118,220), of interest expenses and $2,882 and $4,948, respectively (three and six months ended June 30, 2025 — $467 and $928), respectively, of accretion transaction cost amortization (aggregate of $59,791 and $133,797) on the GORR financing (Note 19).

(in Canadian dollars)

11. TERM LOAN

Balance, December 31, 2025(notes (a), (b), (c))	$ 21,035,684
Proceeds	650,000
Capitalization of interest under 9th Amendment (note(b))	389,465
Amortization of transaction costs	13,398
Balance, June 30, 2026	**$ 22,088,547**

(b) On July 3, 2024, the Corporation closed an $11,000,000 debt financing with a company owned by a shareholder of the Corporation who, at the date of the agreement, owned 43,000,000 common shares (representing 10% of the issued and outstanding common shares of the Corporation). The term loan is secured by a lien on the Corporation's petroleum and natural gas assets and bears interest at 12% per annum, calculated and payable monthly. Under the terms of the agreement, the proceeds are required to be applied to capital development expenditures. The Corporation incurred $53,956 of transaction costs in connection with the original loan, which are being amortized to finance expense over the original term of the loan. The term loan was originally scheduled to mature on May 31, 2026, with the entire principal amount due at maturity. The effective rate of interest in 2026 was 12% (2025 —12%).

The term loan matures on August 31, 2026 pursuant to the amending agreement entered into in April 2026. As at the date of approval of these condensed consolidated interim financial statements, negotiations with the lender to extend the maturity date remained ongoing. The full carrying amount of $22,088,547 (December 31, 2025 — $19,700,000) is presented within current liabilities. The loan was not in default as at June 30, 2026 or as at the date of authorization; This matter should be read in conjunction with the material uncertainty related to going concern disclosed in Note 2.

(c) On March 27, 2026, the Corporation closed the 9th Amendment to the term loan agreement, under which accrued interest for the months of January and February 2026 totaling $389,465 was capitalized to the principal balance of the loan in lieu of cash settlement. This amendment is consistent with the pattern of interest deferrals and capitalizations granted by the lender during the year ended December 31, 2025 and reflects the Corporation's continued reliance on non-cash accommodations to manage its term loan interest obligations. As at June 30, 2026, the total balance drawn under the term loan facility was $20,739,465 (December 31, 2025 — $19,700,000).

As described in Notes 2, the Corporation's term loan matures on August 31, 2026 pursuant to the amending agreement entered into in April 2026. As at the date of approval of these condensed consolidated interim financial statements, negotiations with the lender regarding a revised, longer-term facility remained underway and no agreement had been concluded. There can be no assurance that a revised facility will be completed on acceptable terms, prior to the maturity date, or at all. This matter should be read in conjunction with the material uncertainty related to going concern disclosed in Note 2.

During the three and six months ended June 30, 2026, the Corporation recognized $620,992 and $1,231,834 (three and six months ended June 30, 2025 — $481,693 and $876,115), respectively of interest expense and $6,736 and $13,398 (three and six months ended June 30, 2025 — $6,994 and $13,912) respectively of transaction cost amortization (Note 19).

(d) In connection with the acquisition of White Tundra Petroleum on August 29, 2025, the Corporation assumed $1,350,000 aggregate principal amount of secured loans bearing interest at 14% per annum, with quarterly principal and interest payments commencing July 1, 2026 and maturing on January 16, 2027.

(in Canadian dollars)

During the three and six months ended June 30, 2026, the Corporation recognized $47,583 and $95,937 respectively of interest expense (three and six months ended June 30, 2025 — $nil) on these loans (Note 19).

12. DECOMMISSIONING OBLIGATION

The following table presents the reconciliation of the carrying amount of obligation associated with the decommissioning of the Corporation's petroleum and natural gas assets:

Balance, December 31, 2025	$ 22,083,330
Revisions	(58,850)
Expenditures	(86,996)
Accretion	399,624
Balance, June 30, 2026	**22,337,108**
Current portion	(580,081)
Non-current portion	$ 21,757,027

The following significant assumptions were used to estimate the decommissioning obligation at June 30, 2026:

Undiscounted cash flows	$ 36,673,976
Discount rate	2.96% - 3.88%
Inflation rate	2.00% - 2.06%
Expected timing of cash flows	1 to 46 years

13. SHARE CAPITAL

Common shares	Number	Amount
Balance issued, December 31, 2025	463,252,995	$ 32,270,727
Shares to be issued		
Shares issued on settlement of accounts payable (b)	13,232,243	635,426
Shares issued for working interest acquisition (a)	5,703,814	199,634
Total share capital, December 31, 2025	482,189,052	33,105,787
Shares issued under PP11- cash subscription (c)	34,753,994	703,726
Shares issued under PP11- debt conversion (c)	38,242,781	774,369
Shares issued under PP11- trade payable settlement (c)	3,428,571	69,424
Shares issued on settlement of accounts payable (b)	6,684,231	348,008
Shares issued on settlement of accounts payable (d)	39,589,235	1,443,702
Shares issued on settlement of accounts payable (e)	1,265,558	57,086
Shares issued on settlement of accounts payable (f)	2,834,748	113,390
Balance issued, June 30, 2026	**608,988,170**	**36,615,492**
Shares to be issued		
Shares to be issued under PP11- services payable settlement (c)	9,288,937	188,090
Shares issued on settlement of accounts payable (d)	67,620	-
Total share capital, including shares to be issued, **June 30, 2026**	**618,344,727**	**36,803,582**

(a) Working interest acquisition. On September 15, 2025, the Corporation closed the acquisition of the remaining undivided 14% working interest in the Cuthbert area from an arm's length joint operating partner, consolidating the Corporation's working interest in the Cuthbert properties to 100%. The original acquisition consideration of $1,290,163 comprised 5,703,814 common shares at a fair value of $0.035 per share ($199,634), on February 27, 2026, the Corporation received TSX Venture Exchange acceptance and issued the share and warrant components (Note 14(a)).

(b) Settlement of accounts payable. In December 2025, the Corporation agreed to settle accounts payable owing to vendors with an aggregate amount of $635,426 through the issuance of 13,232,243 common shares at a deemed price of $0.05 per share. Of this amount, $268,475 was recognized as settled during the year ended December 31, 2025, with the related shares classified within "Shares to be issued" as at December 31, 2025 pending TSX Venture Exchange acceptance. As at March 31, 2026, 5,093,571 of these common shares had been issued.

On March 24, 2026, the Corporation agreed to settle further accounts payable owing to vendors with an aggregate amount of $79,533 through the issuance of 1,590,660 common shares at a deemed price of $0.05 per share. This amount was recognized as settled during the three months ended March 31, 2026.

Across both arrangements, accounts payable with an aggregate carrying amount of $348,008 were extinguished. The fair value of the common shares issued was determined by reference to the closing trading price of the Corporation's common shares on the TSX Venture Exchange on each settlement date. An aggregate gain of $15,907 was recognized in profit or loss across the two periods, representing the difference between the aggregate carrying amount of the accounts payable extinguished and the aggregate fair value of the common shares issued.

7,763,672 common shares representing the unissued portion of the 13,232,243-share commitment entered into in December 2025 (refer to Note 13(b)) were issued during Q2 2026.

(c) During the three months ended March 31, 2026, the Corporation completed a non-brokered private placement ("PP11") for aggregate gross proceeds of $3,000,000 through the issuance of 85,714,283 units (each, a "PP11 Unit") at a price of $0.035 per PP11 Unit. Each PP11 Unit consists of one common share (a "PP11 Share") and one common share purchase warrant (a "PP11 Warrant"). Each PP11 Warrant entitles the holder to acquire one additional common share at an exercise price of $0.05 per common share for a period of three years from the date of issuance. The PP11 share component allocation reflects the application of the residual method at share and warrant, consistent with Black-Scholes-Merton inputs at March 11, 2026.The PP11 subscription comprised:

• $1,216,390 in cash proceeds (34,753,994 units);

• $1,338,497 through the conversion of outstanding indebtedness into 38,242,781 PP11 units, comprising convertible debentures (Note 9), a portion of the outstanding principal and accrued interest on promissory notes (Note 8) and accrued interest amounts owing under a 2024 line of credit (Note 8);

• $120,000 through settlement of trade payables with two vendors (3,428,571 units); and

• $325,113 through settlement of services payable to a vendor (9,288,937 units), the issuance of which remained subject to TSX Venture Exchange acceptance as at March 31, 2026 and is therefore included within 'Shares to be issued' and 'Warrants to be issued' respectively.

The $0.035 per unit subscription price was allocated between the common share component (recorded in Share capital) and the common share purchase warrant component (recorded in Share purchase warrants — Note 14) using the residual method. The Black-Scholes-Merton model was used to estimate the fair value of the warrant component, using the following assumptions: share price $0.035, exercise price $0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years.

(in Canadian dollars)

(d) Settlement of accounts payable. During the six months ended June 30, 2026, the Corporation agreed to issue an aggregate of 52,889,098 common shares in settlement of accounts payable owing to vendors, comprising: (i) 7,763,672 common shares representing the unissued portion of the 13,232,243-share commitment entered into in December 2025 (refer to (b) above); (ii) 45,057,806 common shares in respect of additional settlement arrangements entered into during the period, at a deemed price of $0.039 per share, resulting in a gain on settlement of $98,071 (Note 20); and (iii) 67,620 common shares in respect of additional settlement arrangements at a deemed price of $0.05 per share, pending TSX Venture Exchange acceptance as at June 30, 2026.

(e) Settlement of accounts payable. During the three months ended June 30, 2026, the Corporation agreed to issue an aggregate of 1,265,558 common shares in settlement of accounts payable owing to vendors with an aggregate carrying amount of $57,086 (Note 23).

(f) Settlement of interest payable. During the three months ended June 30, 2026, the Corporation issued 2,834,748 common shares in settlement of $113,390 of accrued interest owing in connection with the White Tundra loans (Notes 11(c) and 23).

14. SHARE PURCHASE WARRANTS

Issued	Weighted average exercise price	Number	Amount
Balance, December 31, 2025	$ 0.07	23,406,923	$ 756,019
Warrants to be issued			
Working interest acquisition (a)	0.05	5,334,550	63,419
Balance, December 31, 2025	0.06	28,741,473	819,438
Working interest acquisition (a)	0.05	–	38,037
Warrants issued under PP11- cash (b)	0.05	34,753,994	512,663
Warrants issued under PP11- debt (b)	0.05	38,242,781	564,128
Warrants issued under PP11- trade (b)	0.05	3,428,571	50,576
Expired (c)	0.06	(17,330,000)	(579,843)
Expired (d)	0.05	(3,000,000)	(105,000)
Balance issued, June 30, 2026	**0.05**	**84,836,819**	**1,299,999**
Warrants to be issued			
Warrants to be issued under PP11- trade (b)	0.05	9,288,937	137,023
Balance, June 30, 2026, including warrants to be issued	**$ 0.05**	**94,125,756**	**$ 1,437,022**

(a) Working interest acquisition. On September 15, 2025, the Corporation closed the acquisition of the remaining undivided 14% working interest in the Cuthbert area from an arm's length joint operating partner, consolidating the Corporation's working interest in the Cuthbert properties to 100%. The original acquisition consideration of $1,290,163 comprised 5,703,814 common shares at a fair value of $0.035 per share ($199,634), 3,334,550 common share purchase warrants at a fair value of $0.019 per warrant ($63,419), and the forgiveness of $1,027,110 of joint operating receivables owing by the partner. Issuance of the share and warrant components remained subject to TSX Venture Exchange acceptance as at December 31, 2025.

(in Canadian dollars)

On February 27, 2026, the Corporation received TSX Venture Exchange acceptance and issued the share and warrant components, together with an additional 2,000,000 common share purchase warrants (fair value $38,037) issued in connection with the closing. The additional $38,037 of warrant fair value was capitalized to the carrying amount of the related petroleum and natural gas assets (Note 5), bringing the total acquisition cost recognized in property and equipment to $1,328,200, comprising 5,703,814 common shares ($199,634), 5,334,550 common share purchase warrants ($101,456 in aggregate), and the receivables forgiveness of $1,027,110.

(b) On March 11, 2026, the Corporation completed a non-brokered private placement of 85,714,283 units at a subscription price of $0.035 per unit for total consideration of $3,000,000, comprised of:

1. $1,216,390 in cash proceeds in respect of 34,753,994 units;
2. $1,338,497 through the conversion of outstanding indebtedness in respect of 38,242,781 units, comprising convertible debentures, promissory notes and amounts owing under a 2024 line of credit (Notes 8, 9, 13 and 14);
3. $120,000 through the settlement of trade payables with two vendors in respect of 3,428,571 units; and
4. $325,113 through the settlement of trade payables to a vendor in respect of 9,288,937 units, the issuance of which remained subject to acceptance by the TSX Venture Exchange as at March 31, 2026 and was therefore included in "Warrants to be issued".

The fair value of the share purchase warrants issued in connection with PP11 was estimated using the Black-Scholes-Merton model with the following assumptions: share price $0.035, exercise price $0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years.

(c) Expired warrants. During the three months ended March 31, 2026, an aggregate of 17,330,000 common share purchase warrants with a weighted average exercise price of $0.06 per warrant expired unexercised in accordance with their original contractual terms. The aggregate fair value of $579,843 originally attributed to these warrants was reclassified from share purchase warrants to contributed surplus within shareholders' deficit, with no effect on profit or loss.

(d) Expired warrants. During the three months ending June 30, 2026, an aggregate of 3,000,000 common share purchase warrants with a weighted average exercise price of $0.05 per warrant expired unexercised in accordance with their original contractual terms. The aggregate fair value of $105,000 originally attributed to these warrants was reclassified from share purchase warrants to contributed surplus within shareholders' deficit, with no effect on profit or loss.

Information about share purchase warrants outstanding and exercisable at June 30, 2026 is as follows:

Expiry date	Exercise price	Number	Weighted average contractual life remaining (years)
March 19, 2027	0.10	3,076,923	0.72
March 02, 2029	0.05	5,334,550	2.67
March 11, 2029	0.05	76,425,346	2.70
	0.05	**84,836,819**	**2.63**

(in Canadian dollars)

15. STOCK OPTIONS AND SHARE-BASED COMPENSATION

	Weighted average exercise price	Number
Balance, December 31, 2025	$ 0.07	12,404,708
Expired	(0.13)	(1,250,000)
Expired	(0.05)	(100,000)
Balance, June 30, 2026	**$ 0.06**	**11,054,708**

No stock options or other share-based compensation awards were granted during the three months and six months ended June 30, 2026. During Q2 2026 and YTD 2026, the Corporation recognized $21,860 and $40,061 (Q2 2025 and YTD 2025 - $37,647 and $55,884), of share-based compensation expense respectively in respect of previously issued stock options that continue to vest.

Information about stock options outstanding and exercisable at June 30, 2026 is as follows:

Exercise price	Number outstanding	Number exercisable	Weighted average contractual life remaining (years)
$ 0.05	7,040,000	7,040,000	1.49
0.06	2,385,000	954,000	3.01
0.07	100,000	40,000	3.16
0.075	666,668	666,668	1.47
0.10	350,000	350,000	2.00
0.11	400,000	400,000	1.72
0.12	15,000	15,000	2.24
0.125	98,040	98,040	1.71
$ 0.06	**11,054,708**	**9,563,708**	**1.86**

16. LOSS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
loss for the period	$ **(982,450)**	$ (984,852)	$ **(3,464,363)**	$ (2,727,569)
Basic weighted average number of shares	**584,420,455**	434,641,124	**534,601,056**	432,194,632
Income (loss) per share - basic	$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.01)

The effect of share purchase warrants and stock options is anti-dilutive in loss periods.

17. PETROLEUM AND NATURAL GAS SALES REVENUE

(in Canadian dollars)

The Corporation derives its revenue from contracts with customers primarily through the sale of commodities at a point in time representing the following major product types:

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Petroleum sales	$ **6,147,716**	$ 4,900,296	$ **10,666,127**	$ 9,480,022
Natural gas sales	**36,680**	2,244	**40,406**	20,990
	$ **6,184,396**	$ 4,902,540	$ **10,706,533**	$ 9,501,012

All of the Corporation's petroleum and natural gas sales were generated in Saskatchewan and Alberta. During the six months ended June 30, 2026, petroleum and natural gas sales were made primarily to five major customers (six months ended June 30, 2025 — eight).

As at June 30, 2026, receivables from contracts with customers, included within trade and other receivables from petroleum and natural gas marketers and joint operating partners (Note 4), were $2,146,174 (December 31, 2025 — $1,393,205).

18. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Salaries and benefits	$ **344,264**	$ 301,038	$ **667,038**	$ 669,903
Professional fees	**137,077**	200,838	**297,121**	444,965
Shareholder and regulatory	**103,067**	44,715	**198,644**	81,316
Office and general	**159,773**	164,582	**335,986**	274,252
Overhead recoveries	–	(35,250)	–	(103,500)
	$ **744,181**	$ 675,923	$ **1,498,789**	$ 1,366,936

19. FINANCE EXPENSE, NET

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Finance fees on trade receivables (Note 4)	$ **150,771**	$ 116,082	$ **260,273**	$ 226,676
Imputed interest on lease liability (Note 7)	**6,245**	10,827	**11,771**	22,953
Promissory notes (Note 8)	**44,877**	109,850	**95,178**	200,963
Convertible debentures (Note 9)	**81,591**	12,078	**308,541**	49,832
GORR financing (Note 10)	**59,791**	30,727	**133,797**	118,220
Term loan (Note 11)	**675,311**	488,687	**1,341,169**	890,027
Vendor interest charges (Note 6)	**145,575**	77,608	**436,845**	107,392

(in Canadian dollars)

Other interest and bank charges	–	15,880	**5,712**	20,468
Interest and other income	**(3,347)**	(176,521)	**2,857**	(327,671)
	$ 1,160,813	$ 685,218	**$ 2,596,142**	$ 1,308,860

20. GAIN ON DEBT SETTLEMENTS

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Settlement of convertible debenture interest (Note 9)	**$ (20,952)**	$ –	**$ (20,952)**	$ (28,151)
Settlement of trade payables	**(71,121)**	–	**(193,285)**	(25,000)
	$ (92,073)	$ –	**$ (214,237)**	$ (53,151)

Gains on debt settlements of $92,073 and $214,237 were recognized for the three and six months ended June 30, 2026, respectively (three and six months ended June 30, 2025 — $nil and $53,151), representing the difference between the carrying amount of the trade and other payables extinguished and the fair value of the common shares issued in settlement.

21. RELATED PARTY TRANSACTIONS

Except as disclosed below, transactions with related parties during the three and six months ended June 30, 2026 were carried out in the normal course of operations and were measured at the exchange amount, being the amount of consideration established and agreed by the related parties.

Key management compensation

Key management personnel include executive officers and non-executive directors. Three executive officers, comprised of the Executive Chairman and Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, are paid a salary and participate in the Corporation's stock option program. Non-executive directors also participate in the Corporation's stock option program. Key management compensation paid to executive officers and non-executive directors is comprised of the following:

For the six months ended June 30	**2026**	2025
Salaries and benefits	**$ 187,500**	$ 187,500
Consulting fees	**120,000**	110,000
Share-based compensation	**6,328**	4,828
	$ 313,828	$ 302,328

During Q2 2026, the Corporation incurred $60,000 (Q2 2025 — $60,000) of charges from a company controlled by the Executive Chairman and Chief Executive Officer in respect of consulting services. As at June 30, 2026, trade and other payables included $14,811 (December 31, 2025 – $20,375) owing to this related party.

(in Canadian dollars)

On June 30, 2026, the Corporation, White Tundra Petroleum Ltd. ("WTP"), a wholly owned subsidiary of the Corporation, White Tundra Investment Ltd. and the Executive Chairman and Chief Executive Officer of the Corporation entered into a mutual release agreement in respect of two related party balances: a receivable of $88,559 owing to WTP by the Executive Chairman and Chief Executive Officer, and a payable of $103,371 owing by the Corporation to White Tundra Investment Ltd., a company controlled by that individual.

Under the agreement, the receivable owing to WTP was released and discharged in full in consideration of the release and discharge of $88,559 of the payable owing by the Corporation. The remaining $14,811 of the payable continues to be owing by the Corporation and is included in trade and other payables at June 30, 2026. Within the consolidated group, WTP recorded a corresponding amount receivable from the Corporation, which is eliminated on consolidation.

No consideration was paid or received in cash and no gain or loss was recognized in profit or loss, as the amounts released were equal. The arrangement reduced both consolidated total assets and consolidated total liabilities by $88,559, with no effect on the Corporation's working capital deficiency or consolidated shareholders' deficit.

The agreement was reviewed and approved by the Board of Directors, with the interested director having declared his interest and abstained from the vote.

During Q2 2026, the Corporation incurred $26,700 (Q2 2025 — $26,400) of charges from a company controlled by a director of the Corporation in respect of consulting services. As at June 30, 2026, trade and other payables included $64,625 (December 31, 2025 – $94,737) owing to this related party.

During Q2 2026, the Corporation was charged $nil (Q2 2025 - $36,847) by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at June 30, 2026, trade and other payables included $57,753 (December 31, 2025 – $15,806) owing to this related party.

On September 4, 2025, the Corporation issued a $112,500 0% promissory note, to a director of the Corporation, which matured on November 16, 2025. On March 3, 2026, the Corporation agreed to settle the matured obligation through the issuance of 3,214,286 units under the March 11, 2026 non-brokered private placement (Note 8, 13 and 14).

In December 2024, the Corporation issued $900,000 aggregate principal amount of 12% promissory notes under a non-brokered private placement, of which $200,000 was issued to a company controlled by a director of the Corporation in settlement of an equivalent amount of trade payables owing to that company. On March 16, 2026, the Corporation repaid this $200,000 promissory note in full cash (Note 8).

22. CHANGE IN NON-CASH WORKING CAPITAL

For the six months ended June 30	**2026**	2025
Trade and other receivables	$ **(569,122)**	$ (125,681)
Prepaid expenses and deposits	**(115,607)**	(36,047)
Inventory	**111,758**	(511,067)
Deposits	**(185,323)**	(22,284)
Trade and other payables	**546,131**	(628,033)
	$ **(212,163)**	$ (1,323,112)

The change in non-cash working capital has been allocated to the following activities:

For the six months ended June 30	**2026**	2025
Operating activities	$ **(213,211)**	$ (1,475,757)
Investing activities	**1,048**	152,645

(in Canadian dollars)

	$ **(212,163)**	$ (1,323,112)

23. NON-CASH TRANSACTIONS

During the six months ended June 30, 2026, the Company settled trade and other payables through non-cash consideration as follows:

- Trade payables of $120,000 were settled through the transfer of an interest in the PP11(Note 13(c) and 14);
- Services payables of $325,113 were settled through non-cash consideration (Note 13 (c) and 14);
- Accounts payable of $79,533 were settled through the issuance of 1,590,660 common shares (Note 13(b));
- Trade payables of $1,578,241 were settled through the issuance of 45,125,426 common shares, 45,057,806 were issued during Q2 2026; 67,620 common shares pending TSX Venture Exchange acceptance (Note 13(d));
- Interest on promissory note, convertible debentures and term loan totalling $31,779 was accrued within trade and other payables as at June 30, 2026.
- $88,559 of non-cash settlement on June 30, 2026 (Note 21).
- Interest payable of $113,390 in respect of the White Tundra loans were settled through the issuance of 2,834,748 common shares (Note 13(f)); and
- Trade payables of $57,086 were settled through the issuance of 1,265,558 common shares (refer to Note 13(e)).

The aggregate effect of these non-cash items reconciles the $1,847,571 decrease in trade and other payables reflected in the consolidated statement of financial position to the $546,130 working capital change presented within operating activities in the statement of cash flows.

24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Corporation holds various financial instruments at June 30, 2026. The nature of these instruments and the Corporation's operations expose the Corporation to market risk, credit risk and liquidity risks. The Corporation seeks to manage these risks through its operating and capital planning processes, its system of internal controls, and debt management. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework.

(a) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation generally relies on funds generated from operations, acquisitions and/or debt and equity financing to provide sufficient liquidity to meet budgeted operating requirements.

At June 30, 2026, maturities of the Corporation's financial obligations are as follows:

			Timing of cash flows		
	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 3 years
Trade and other payables (Note 6)	$16,244,161	$16,377,461	$15,791,189	$164,150	$ 422,122
Lease liability (Note 7)	187,518	195,925	195,925	–	–
Promissory notes (Note 8)	1,500,000	1,589,260	1,589,260	–	–
Convertible debentures (Note 9)	2,530,559	3,785,598	–	–	3,785,598
GORR financing (Note 10)	3,378,480	3,402,020	3,071,047	–	330,973

(in Canadian dollars)

Term debt (Note 11)	22,088,547	22,536,261	22,536,261	–	–
	$45,929,265	**$47,886,524**	**$43,183,682**	**$164,150**	**$4,538,693**

(b) Capital Management

The Corporation's policy is to maintain a strong capital base in order to preserve financial flexibility, sustain the development of its current capital projects, and support future corporate growth. The Corporation monitors its working capital position and anticipated capital expenditures, and raises funds through debt financing and/or the issuance of equity instruments to support the execution of its development plans. The Corporation has no externally imposed capital requirements. The Corporation continues to assess its petroleum and natural gas projects on an ongoing basis and, from time to time, settles financial obligations — including debt and trade payables — through the issuance of equity instruments. This approach is used to manage liquidity, preserve the Corporation's capital structure, fund acquisitions, and maintain sufficient working capital to meet administrative expenditures.

The Corporation considers its capital structure to be working capital and shareholders' deficit. Management reviews its capital management approach on a regular basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the three months and six months ended June 30, 2026.

	ıne 30)26	ecember 31)25
Working capital deficit	$ **(39,682,120)**	$ (39,644,749)
Shareholders' deficit	$ **(9,198,214)**	$ (10,537,119)

25. CONTINGENCIES

The Corporation is involved, from time to time, in legal proceedings and claims arising in the ordinary course of business, including employment matters and surface or land-related claims. The outcome of these matters is inherently uncertain. As at June 30, 2026, no provisions have been recorded, other than normal accruals for earned compensation, as management does not consider an outflow of economic resources to be probable and/or the amount of any potential loss cannot be reliably estimated.

The Corporation is a party to a dispute relating to historical transactions and ownership interests associated with certain oil and gas assets, including the Brooks asset. The plaintiff is seeking, among other relief, a declaration of a 50% ownership interest and damages of at least $6.7 million. The Corporation disputes the claim and has advanced a counterclaim seeking damages of approximately $5.1 million. The matter remains contested and subject to uncertainty. No provision has been recorded as at June 30, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured at this time.

The Corporation is also subject to claims from a former President and Chief Executive Officer in respect of alleged unpaid compensation and wrongful dismissal, with asserted amounts of approximately $3.1 million. The claims are disputed and remain subject to uncertainty. No provision has been recorded as at June 30, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

The Corporation is a party to a claim alleging breaches of land lease obligations, which asserts damages of approximately $500,000. The claim is disputed and remains subject to uncertainty. No provision has been recorded as at June 30, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

In addition, the Corporation is involved in various other employment-related and similar matters, with aggregate claims of approximately $87,500. These matters are in varying stages and subject to uncertainty. No provision has been recorded as at June 30, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

26. SUBSEQUENT EVENTS

(a) Term loan maturity and lender negotiations
As described in Notes 2 and 11, the Corporation's term loan matures on August 31, 2026 pursuant to an amending agreement entered into in April 2026. As at the date of approval of these condensed consolidated interim financial statements, negotiations with the lender to extend the maturity date remained ongoing. The full carrying amount of $22,088,547 (December 31, 2025 — $19,700,000) is presented within current liabilities. The loan was not in default as at June 30, 2026 or as at the date of authorization; This matter should be read in conjunction with the material uncertainty related to going concern disclosed in Note 2.

(b) Issuance of shares and warrants previously pending exchange acceptance

Subsequent to June 30, 2026, the Corporation had not yet received TSX Venture Exchange acceptance in respect of (i) the 9,288,937 common shares and 9,288,937 common share purchase warrants issuable in settlement of services payable under PP11 (Notes 13(c) and 14), each presented within "Shares to be issued" and "Warrants to be issued" as at June 30, 2026, and (ii) the 67,620 common shares issuable in settlement of accounts payable (Note 13(d)), each presented within "Shares to be issued" as at June 30, 2026.

(c) $12.0 million non-brokered equity financing

On June 29, 2026, the Corporation announced a non-brokered private placement (the "Offering") of up to 300,000,000 units at a price of $0.04 per unit for aggregate gross proceeds of up to $12,000,000. Each unit consists of one common share of the Corporation and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at an exercise price of $0.06 per share for a period of two years from the date of issuance. Exercise in full of the warrants would provide the Corporation with up to an additional $18,000,000 of proceeds. The warrant exercise price is subject to standard anti-dilution adjustments upon, among other things, share consolidations, share splits, spin-off events, rights issues and reorganizations. The warrants will be transferable and will not be listed on any stock exchange.

The Corporation may pay qualified finders a cash fee of 7% of the aggregate cash proceeds received from the sale of the offered securities and finder warrants equal to 7% of the aggregate number of units issued under the Offering, with each finder warrant exercisable to acquire one common share at $0.06 per share for a period of two years from the date of issuance.

The net proceeds of the Offering are intended to be applied to (i) the Luseland well reactivation program, focused on bringing previously shut-in heavy-oil wells back on production; (ii) the Luseland well optimization program, including the installation of additional recycle pumps and pump-upsize projects on currently active wells; and (iii) the Cuthbert workover program, consisting of targeted workovers and optimization activities on shut-in wells. All securities issued under the Offering will be subject to a statutory hold period of four months and one day from the date of closing. The Offering remains subject to the approval of the TSX Venture Exchange.

As at the date of approval of these condensed consolidated interim financial statements, no tranche of the offering had closed and no proceeds had been received.

(d) Settlement of trade payables through the issuance of common shares

On June 29, 2026, the Corporation announced that it had entered into settlement agreements with three arm's length vendors to settle an aggregate of $42,800 of outstanding trade payables through the issuance of 996,005 common shares, comprising (i) 296,005 common shares at a deemed price of $0.05 per share in settlement of $14,800 owing to two vendors; and (ii) 700,000 common shares at a deemed price of $0.04 per share in settlement of $28,000 owing to one vendor. The shares will be subject to a statutory hold period of four months and one day from the date of issuance, and the issuance remains subject to TSX Venture Exchange acceptance.