PETROX RESOURCES CORP.

Financial Statements

December 31, 2025 and 2024

PETROX RESOURCES CORP.
Index to the Financial Statements
For the years ended December 31, 2025 and 2024

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Shareholders of Petrox Resources Corp.:

Opinion

We have audited the financial statements of Petrox Resources Corp. (the "Corporation"), which comprise the statements of financial position as at December 31, 2025 and December 31, 2024, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2025 and December 31, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Corporation incurred a net loss and used cash flows in operating activities during the year ended December 31, 2025 and, as of that date, the Corporation had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impact of oil, natural gas, and natural gas liquid reserves on property and equipment

Key Audit Matter Description

The Company had $142,691 of property and equipment as at December 31, 2025. Depletion expense was $32,200 for the year then ended. The Company depletes its property and equipment on a unit-of-production basis over the life of their proved plus probable (2P) reserves. Key assumptions developed by management to determine 2P reserves include forward price estimates, expected future rates of production, the amount and timing of future development expenditures, and future royalties and operating expenditures. The Company's reserves are evaluated by an independent qualified reserve evaluator (management's expert).

Please refer to Note 3 - material accounting policies, and Note 5 - property and equipment in the financial statements.

We identified the impact of oil, natural gas, and natural gas liquid reserves on property and equipment as a key audit matter due to:
• The significant estimates and judgments used by management, including the use of management's expert, to estimate the 2P reserves.
• The significant auditor judgment required.
• The effort in performing procedures related to the key assumptions used.

Audit Response

We responded to this matter by performing procedures in relation to the impact of oil, natural gas, and natural gas liquid reservse on property and equipment. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the competence, capabilities and objectivity of the independent qualified reserve evaluators engaged by the Company, who estimated the 2P reserves. We evaluated the methodology used by the independent qualified reserves evaluators to estimate the 2P reserves for compliance with the applicable regulatory standards. Procedures included gaining an understanding of the work performed by management’s expert, testing the data and assumptions used by management’s expert, and evaluating their findings.
- Evaluated the key assumptions used by management in determining 2P reserves and the reasonableness thereof. Procedures included:
  • Testing of forward price estimates by comparing to third-party industry forecasts.
  • Using the past and current performance of the Company to evaluate expected future rates of production and the timing and amount of future development expenditures.
  • Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit.
- Compared the current year actual CGU production volumes, royalty rates, operating and capital costs to those estimates used in the prior year estimate of proved reserves by CGU to assess the Company’s ability to accurately forecast.
- Obtained an understanding of the Company's processes and controls over the 2P reserves, assessment of the recoverable amount and depletion expense.
- Recalculated depletion expense.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Craig Bloom.

Calgary, Alberta

MNP LLP

April 28, 2026

Chartered Professional Accountants

PETROX RESOURCES CORP.
Statements of Financial Position
As at December 31, 2025 and 2024
(Stated in Canadian Dollars)

	Note	**December 31, 2025**	December 31, 2024
		($)	($)
ASSETS			
CURRENT			
Cash and cash equivalent		**372,602**	153,272
Trade and other receivables	11	**14,397**	39,061
TOTAL CURRENT ASSETS		**386,999**	192,333
NON-CURRENT			
Property and equipment	5	**142,691**	181,550
Deposits	7	**137,637**	71,765
TOTAL ASSETS		**667,327**	445,648
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Trade and other payables	11	**79,625**	56,141
NON-CURRENT			
Decommissioning obligations	6	**300,647**	297,772
TOTAL LIABILITIES		**380,272**	353,913
SHAREHOLDERS' EQUITY			
Share capital	8	**4,574,166**	4,174,166
Contributed surplus		**2,420,196**	2,304,548
Deficit		**(6,707,307)**	(6,386,979)
TOTAL SHAREHOLDERS' EQUITY		**287,055**	91,735
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**667,327**	445,648

Going Concern (Note 2)

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) "Edwin Tam"

(Signed) "Alan P. Chan"

The accompanying notes are an integral part of the financial statements.

PETROX RESOURCES CORP.
Statements of Net Loss and Comprehensive Loss
For the years ended December 31, 2025 and 2024
(Stated in Canadian Dollars)

	Note	**Year ended December 31, 2025**	Year ended December 31, 2024
		($)	($)
REVENUE			
Production revenue		**349,448**	487,538
Royalties		**(15,739)**	(15,235)
		333,709	472,303
EXPENSES			
Operating costs		**182,916**	233,981
General and administrative fees		**323,294**	261,418
Share-based compensation	8	**119,786**	-
Depletion and depreciation	5	**32,200**	34,919
Accretion expense	6	**9,534**	8,330
		667,730	538,648
OPERATING LOSS		**(334,021)**	(66,345)
OTHER ITEM			
Deferred tax recovery		**12,313**	-
Interest income		**1,380**	5,671
		13,693	5,671
NET LOSS AND COMPREHENSIVE LOSS		**(320,328)**	(60,674)
LOSS PER SHARE			
Basic and diluted		**(0.006)**	(0.001)
WEIGHTED AVERAGE COMMON SHARES			
Basic and diluted		**55,132,258**	55,132,258

PETROX RESOURCES CORP.
Statements of Changes in Shareholders' Equity
(Stated in Canadian Dollars)

	Note	Share Capital				
		Number of Shares	**Share capital, net**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
		($)	**($)**	**($)**	**($)**	**($)**
As at December 31, 2024		5,513,231	4,174,166	2,304,548	(6,386,979)	91,735
Issuance of convertible debt	8	-	-	45,359	-	45,359
Deferred tax on convertible debt	8	-	-	(12,313)	-	(12,313)
Equity based transaction costs	8	-	-	(4,261)	-	(4,261)
Issuance of warrants	8	-	-	12,436	-	12,436
Share issuance, conversion of debenture	8	8,000,000	400,000	(45,359)	-	354,641
Share-based compensation	8	-	-	119,786	-	119,786
Net loss and comprehensive loss		-	-	-	(320,328)	(320,328)
As at December 31, 2025		**13,513,231**	**4,574,166**	**2,420,196**	**(6,707,307)**	**287,055**

	Share Capital				
	Number of Shares	**Share capital, net**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
	(#)	($)	($)	($)	($)
As at December 31, 2023	5,513,231	4,174,166	2,304,548	(6,326,305)	152,409
Net loss and comprehensive loss	-	-	-	(60,674)	(60,674)
As at December 31, 2024	**5,513,231**	**4,174,166**	**2,304,548**	**(6,386,979)**	**91,735**

The accompanying notes are an integral part of the financial statements.

PETROX RESOURCES CORP.
Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(Stated in Canadian Dollars)

	Note	**Year ended December 31, 2025**	Year ended December 31, 2024
		($)	($)
OPERATING ACTIVITIES			
Net loss		**(320,328)**	(60,674)
Items not affecting cash:			
Depletion and depreciation	5	**32,200**	34,919
Accretion expense	6	**9,534**	8,330
Share-based compensation	8	**119,786**	-
Transaction costs	8	**33,318**	-
Deferred tax recovery	8	**(12,313)**	-
Changes in non-cash working capital:			
Trade and other receivables		**24,664**	(6,136)
Trade and other payables		**23,484**	(21,334)
CASH USED IN OPERATING ACTIVITIES		**(89,655)**	(44,895)
INVESTING ACTIVITIES			
Deposits	7	**(65,872)**	-
CASH USED IN INVESTING ACTIVITIES		**(65,872)**	-
FINANCING ACTIVITIES			
Issuance of debenture	8	**400,000**	-
Issuance costs		**(25,143)**	-
CASH PROVIDED BY FINANCING ACTIVITIES		**374,857**	-
INCREASE (DECREASE) IN CASH		**219,330**	(44,895)
Cash - beginning of year		**153,272**	198,167
CASH - END OF YEAR		**372,602**	153,272

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

Petrox Resources Corp. ("Petrox" or the "Corporation") is a public company (TSXV: PTC) incorporated under the Business Corporations Act (Alberta) on February 25, 2011. The principal business of the Corporation is the acquisition, exploration, development and production of petroleum and natural gas in Canada.

These financial statements were authorized for issue by the Board of Directors on April 28, 2026. The Corporation's registered office is 1250, 639 – 5th Avenue S.W., Calgary, Alberta T2P 0M9.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Corporation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These financial statements do not give effect to any adjustments to the amounts or classification of assets and liabilities which might be necessary should the Corporation be unable to continue as a going concern.

For the year ended December 31, 2025, the Corporation had a net loss of $320,328 (2024 – net loss of $60,674) and cash flows used in operating activities of $89,655 (2024 – $44,895) and, as of December 31, 2025, had an accumulated deficit of $6,707,307 (2024 - $6,386,979). The Corporation's continuation as a going concern is contingent on the production of its oil and gas assets to adequately cover the Company's working capital requirements and operating activities. The matters and conditions noted above indicate material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

3. MATERIAL ACCOUNTING POLICY INFORMATION

<u>Statement of Compliance</u>

These financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

<u>Basis of Measurement</u>

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value with changes in fair value recorded in loss.

<u>Functional Currency</u>

The presentation currency and functional currency of the Corporation is the Canadian dollar.

<u>Cash and cash equivalents</u>

Cash consist of amounts on deposit and term deposit with banks.

<u>Property and Equipment</u>

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of exploration and evaluation assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in loss as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income as incurred.

Disposals of property and equipment are measured at fair value unless the transactions lack commercial substance or that neither the fair value of the asset received, nor the asset given up can be reliably estimated. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Any gain or loss on the disposal of the property and equipment is measured as the difference between the asset's carrying value and the proceeds received on disposition.

Furniture and fixtures are depreciated on a straight-line basis over periods ranging from two to five years.

<u>Depletion and Depreciation</u>

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of natural gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

<u>Impairment of Non-Financial Assets</u>

The carrying amounts of the Corporation's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows. Goodwill, if any, is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill. Exploration and evaluation assets are tested with the associated CGU for which the activity can be attributed or separately where an associated CGU does not exist for the exploration and evaluation activity.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in comprehensive loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

Revenue from Contracts with Customers

The Corporation principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Corporation to its customers. The Corporation's commodity sale contracts represent a series of distinct transactions. The Corporation considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Corporation has transferred title and physical possession of the commodity to the buyer;
- The Corporation has transferred significant risks and rewards of ownership of the commodity to the buyer; and,
- The Corporation has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Corporation's commodity sales contracts are on the 25th of the month following delivery. The Corporation does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Corporation does not adjust its revenue transactions for the time value of money. Revenue represents the Corporation's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

The Corporation has applied the practical expedient to recognize revenue in the amount to which the Corporation has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

Revenue in the statement of net loss and comprehensive loss represents the Corporation's share of product sales net of royalty payments to governments and other mineral interest owners.

Convertible Debt

Convertible debt instruments are assessed at issuance to determine whether conversion features meet the fixed for fixed criterion under IAS 32 Financial Instruments: Presentation.

Convertible debt that may be settled with cash or another financial asset or is convertible into a fixed number of common shares is bifurcated into a debt portion and an equity portion. The debt portion is a financial liability which represents the obligation to pay interest on the convertible debt in the future. The fair value of the debt portion at issuance is determined based on the present value of future cash flows discounted at a borrowing rate available for similar non-convertible debt. The residual amount is recognized as the equity portion at issuance and is not subsequently re-measured. The debt portion is subsequently measured at amortized cost.

Financial Instruments

The Corporation measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Corporation's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL").

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

Amortized Cost

The Corporation classifies its trade and other receivables and trade and other payables as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Corporation classifies its cash as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statements of income (loss) and comprehensive income (loss).

Impairment of Financial Assets

The Corporation's trade and other receivables are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the trade and other receivables.

The Corporation's trade and other receivables are subject to the ECL model under IFRS 9. For the trade and other receivables, the Corporation applies the simplified approach to providing for ECL prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical industry default rates as well as credit ratings of major customers.

Fair Value Hierarchy

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax when deemed recoverable.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Share-based Compensation

The Corporation accounts for share-based compensation in accordance with IFRS 2 Share-based Payment. The fair value of stock options and warrants granted to employees, directors, officers, and consultants is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as share-based compensation expense with a corresponding increase to contributed surplus over the vesting period. Where awards vest immediately, the full fair value is recognized on the grant date. The effects of forfeitures are reflected as they occur. When options or warrants are exercised, the related contributed surplus is transferred to share capital.

Changes in Accounting Policy

On May 30, 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures that clarify the recognition and derecognition of certain financial assets and liabilities, including an exception for those settled via electronic cash transfer systems. New disclosure requirements are introduced for instruments with terms that can change cash flows and for equity instruments designated at fair value through other comprehensive loss. The amendments are effective for reporting periods beginning on or after January 1, 2026. The Corporation does not anticipate any material impact from these amendments on the Financial Statements.

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, a new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will introduce new totals, subtotals, and categories for income and expenses in the statement of profit and loss, require disclosure regarding management defined performance measures, and introduce additional requirements with respect to the aggregation and disaggregation of certain financial information. The standard is effective for reporting periods beginning on or after January 1, 2027 and must be adopted on a retrospective basis. The Corporation is currently reviewing the new disclosure requirements for IFRS 18.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Management reviews significant estimates on a periodic basis and, when changes in estimates are necessary, makes adjustments prospectively.

The key sources of estimates and judgments made by management, are as follows:

<u>Going concern</u>

Management has assessed the Corporation’s ability to continue as a going concern over the next twelve months, considering factors such as projected cash flows, anticipated market conditions, and current financial standings. These projections indicate sufficient liquidity to meet upcoming obligations. Key judgments involve forecasted market prices, production levels, and operational costs, which are inherently uncertain due to the volatile nature of the oil and gas industry.

There are material uncertainties that cast significant doubt on the Corporation's ability to continue as a going concern, including sustained low commodity prices, an operating loss that increased significantly in 2025 (net loss of $320,328 versus $60,674 in 2024), and cash flows used in operations of $89,655. To address these uncertainties, management has taken the following steps: (i) in Q4 2025, the Corporation completed a financing of $400,000 (net $374,857) through a debenture issued for cash and immediately converted to 8,000,000 common shares, improving the cash position to $372,602 at December 31, 2025; (ii) management continues to actively monitor production from its Saskatchewan properties and is evaluating cost reduction opportunities; and (iii) the Corporation intends to pursue additional equity financings as required to fund ongoing operations. There is no assurance that these plans will be successful. The financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary if the going concern assumption were not appropriate.

<u>Determination of Cash Generating Units</u>

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Corporation has one CGU.

<u>Asset Impairment and Reversals</u>

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors. The recoverable amount of the CGU and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Corporation applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of the CGU and individual assets and may then require a material adjustment to their related carrying value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Deferred Taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Corporation's estimate, the ability of the Corporation to realize the deferred tax assets could be impacted. Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Corporation records a provision for the amount

that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Corporation's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, and the tax laws in the jurisdictions in which the Corporation operates.

Reserves

Reserves are used in the unit of production calculation for depletion and depreciation, as well as impairment analysis. The quantity of reserves is subject to a number of estimates and projections including assessment of engineering data, projected future rates of production, commodity prices, regulatory changes, operating costs and sustaining capital expenditures. These estimates and projections are uncertain as the Corporation does not have a long commercial production history to assist in the development of these forward-looking estimates. However, all reserve and associated financial information is evaluated and reported on by a firm of qualified independent reserve evaluators in accordance with the standards prescribed by applicable securities regulators, including National Instrument 51-101. The calculation of future cash flows based on these reserves is dependent on a number of estimates including: production volumes, facility performance, commodity prices, and royalties, operating costs, sustaining capital and tax rates. The price used in the Corporation's assessment of future cash flows is based on the Corporation's independent evaluator's estimate of future prices and evaluated for reasonability by the Corporation against other available information. The Corporation believes these prices are reasonable estimates for a long-term outlook.

Decommissioning Obligations

The Corporation measures decommissioning obligations at each financial statement date. The estimate is based on the Corporation's share of costs to reclaim the assets and certain facilities. To determine the future value of the liability, estimates of the amount, timing and inflation of the associated abandonment costs are made. The present value of the cost is recorded as the decommissioning liability using a risk-free discount rate. Due to the long-term nature of current and future project developments, abandonment costs will be incurred many years in the future. Because of these factors, different estimates could be used for such abandonment costs and the associated timing. Assumptions of higher future abandonment costs, regulatory changes, higher inflation, lower risk-free rates or an assumption of earlier or specified timing of abandonment would cause the decommissioning liability of the corresponding asset to increase. These changes would also cause future accretion expenses to increase.

Share-based Compensation

The measurement of share-based compensation includes share price, volatility, expected life, risk-free rates and forfeiture rates which are based on management's assumptions and estimates. All of these estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods and have a significant impact on net loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Convertible Debt

Management has applied judgment in classifying the components of debt instruments that contain both liability and equity components. The residual method has been used to allocate issue proceeds between the liability and equity components and the accuracy of the allocation depends on the reliability of the fair value estimate of the liability component, which includes significant assumptions about the market interest rate for similar liabilities without a conversion feature, the Corporation's credit risk, and non-observable market data.

5. PROPERTY AND EQUIPMENT

Year ended December 31, 2025	***Property & Equipment***	***Furniture & Fixtures***	***Total***
	($)	***($)***	***($)***
Cost			
Beginning balance	3,091,583	2,212	3,093,795
Changes in estimate (Note 6)	(6,659)	-	(6,659)
Ending balance	3,084,924	2,212	3,087,136
Accumulated Depletion			
Beginning balance	(2,910,033)	(2,212)	(2,912,245)
Depletion and depreciation	(32,200)	-	(32,200)
Ending balance	(2,942,233)	(2,212)	(2,944,445)
Book Value	**142,691**	**-**	**142,691**

Year ended December 31, 2024	***Property & Equipment***	***Furniture & Fixtures***	***Total***
	($)	***($)***	***($)***
Cost			
Beginning balance	3,107,535	2,212	3,109,747
Changes in estimate (Note 6)	(15,952)	-	(15,952)
Ending balance	3,091,583	2,212	3,093,795
Accumulated Depletion			
Beginning balance	(2,875,114)	(2,212)	(2,877,326)
Depletion and depreciation	(34,919)	-	(34,919)
Ending balance	(2,910,033)	(2,212)	(2,912,245)
Book Value	**181,550**	**-**	**181,550**

Impairment

During the years ended December 31, 2025 and 2024, the Corporation determined that there is no indication of impairment.

6. DECOMMISSIONING OBLIGATIONS

The following table presents the reconciliation of the carrying amount of the liability associated with the reclamation and abandonment of the Corporation's oil and gas properties:

	Year ended December 31, 2025	*Year ended December 31, 2024*
	($)	*($)*
Beginning balance	**297,772**	305,394
Accretion	**9,534**	8,330
Change in estimate	**(6,659)**	(15,952)
Ending balance	**300,647**	297,772

The following assumptions were used to estimate the decommissioning obligation for 2025 and 2024:

	2025	*2024*
Undiscounted cash flows	**$350,825**	$350,825
Risk free rate	**2.47%-3.28%**	2.93%-3.88%
Inflation rate	**3%**	3%
Expected timing of cash flows	**2-9 years**	2-10 years

7. DEPOSITS

	Year ended December 31, 2025	*Year ended December 31, 2024*
	($)	*($)*
Security deposit paid to Licensee Liability Rating Program	**136,999**	71,127
Other deposits	**638**	638
Ending balance	**137,637**	71,765

The Licensee Liability Rating Program manages the financial risk to the Saskatchewan Oil and Gas Orphan Fund, in terms of a licensee's future costs to abandon and reclaim their wells and facilities, through the collection of security deposits.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of preferred shares without par value

Issued:		***December 31, 2025***		*December 31, 2024*
Common shares	Number	Amount	Number	Amount
		($)		($)
Balance – beginning of year	**5,513,231**	**4,174,166**	5,513,231	4,174,166
Share issuance conversion of debenture	**8,000,000**	**400,000**	-	-
Balance – end of year	**13,513,231**	**4,574,166**	5,513,231	4,174,166

In Q4 2025, the Corporation issued a convertible debenture for gross proceeds of $400,000 (net proceeds of $374,857 after issuance costs of $25,143). In December 2025, the debenture was converted in full into 8,000,000 common shares at a conversion price of exactly $0.05 per post-consolidation common share. This conversion is a non-cash financing activity and has been excluded from the statement of cash flows.

The transaction costs related to the issuance of convertible debentures were allocated to equity and debt based on the market value of the individual components.

	Equity	Liability	**Total**
Issuance costs – Cash	$2,851	$22,292	**$25,143**
Issuance costs - Warrants	$1,410	$11,026	**$12,436**
Total issuance costs incurred	$4,261	$33,318	**$37,579**

The Corporation also completed a 10-for-1 share consolidation effective December 18, 2025. This consolidation has been retrospectively applied to the prior year.

(b) Stock Option Plan

On December 31, 2025, the Corporation granted 875,000 incentive stock options to officers, directors, and consultants under its Stock Option Plan. The options have an exercise price of $0.155 per share, vest immediately, and expire December 31, 2027.

The fair value of each option was estimated at $0.137 using the Black-Scholes pricing model with the following assumptions: risk-free interest rate 2.58%; expected volatility 220%; dividend yield nil; expected life 2 years. The total fair value of options granted was approximately $119,786, which was recognized immediately as share-based compensation expense.

(c) Warrants:

In connection with convertible debenture financing which closed on November 24, 2025, the Corporation issued 404,000 compensation warrants to the broker. Each warrant entitles the holder to acquire one post-consolidation common share at $0.031 per share, exercisable from December 18, 2025 to November 24, 2027. The fair value of the compensation warrants of approximately $12,436 was determined using the Black-Scholes model with the following assumptions: risk-free interest rate 2.43%; expected volatility 121%; dividend yield nil; expected life 2 years. This amount was recorded as a share issuance cost and credited to contributed surplus.

9. RELATED PARTY TRANSACTIONS

The following tables summarize the remuneration of directors and of other members of key management personnel during the years:

	Year ended December 31, 2025	*Year ended December 31, 2024*
	($)	*($)*
Consulting fees	79,050	105,400
Share based compensation	119,786	-

As of December 31, 2025 and 2024, all of the above amounts have been paid.

During the year ended December 31, 2025, the Corporation granted 875,000 stock options to officers, directors, and consultants (2024 – nil), resulting in share-based compensation expense of $119,786 (2024 – nil). Refer to Note 8(b) for further details.

On December 31, 2025, the Corporation granted 550,000 incentive stock options to officers and directors under its Stock Option Plan. The options have an exercise price of $0.155 per share, vest immediately, and expire December 31, 2027. The total value of the options granted to officers and directors were $75,295.

10. INCOME TAXES

The net income tax provision differs from that expected by applying the combined federal and provincial tax rates due to the following:

		2025		2024
Net loss before income taxes	**$**	**(332,641)**	$	(60,674)
Combined federal and provincial income tax rate		**23.00%**		23.00%
Expected tax expense (recovery)		**(76,508)**		(13,955)
Non-deductible expenses		**35,227**		-
Tax benefit not recognized		**28,968**		13,955
	$	**(12,313)**	$	-

The Corporation has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	2025	2024
	($)	($)
Non-capital losses	**5,048,498**	4,778,460
Financing costs	**20,114**	-
Oil and gas assets	**1,664,554**	1,750,082
Total deductible temporary differences	**6,733,166**	6,528,542

The Corporation's non-capital losses will expire between 2030 and 2045 if not utilized.

11. FINANCIAL INSTRUMENTS

The Corporation's financial assets consist of cash, trade and other receivables, and deposits. Its financial liabilities consist of trade and other payables. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or currency arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted, due to the short-term maturity of these items.

Credit risk

Credit risk is the risk of financial loss to a Corporation if a counter party to a financial instrument fails to meet its contractual obligations. The Corporation's financial instruments that subject it to credit risk relate to cash in Canadian chartered banks, interest receivable from Canadian chartered banks, goods and services tax recoverable from the federal government, and trade and other receivables. The Corporation considers the risk of default from parties in the oil and gas industry to be low as they are with reputable oil and gas marketers. Deposits are held with the Government of Saskatchewan.

The composition of trade and other receivables relates to oil sales which is typically collected in the month following the sales month.

The Corporation considers its receivables to be aged as follows:

	December 31, 2025	***December 31, 2024***
	($)	***($)***
Current	14,397	39,061
Total	**14,397**	**39,061**

Liquidity risk

Liquidity risk relates to the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on the statement of financial position consist of trade and other payables. The Corporation anticipates it will have adequate liquidity to fund its financial liabilities. Trade and other payables consist of invoices payable to trade suppliers for general, administrative and capital expenditures and are usually payable in 30 to 90 days.

The following table indicates the contractual maturities for financial liabilities:

	December 31, 2025	***December 31, 2024***
	($)	***($)***
Current	79,625	56,141
Total	**79,625**	**56,141**

Market risk

Market risk is the risk that changes in market prices, such as currency, commodity and interest will affect the Corporation's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities. The Corporation does not procure services denominated in currency other than Canadian dollars. As such, the Corporation is not exposed to foreign currency fluctuations. The Corporation has no debt and as such has no material exposure to interest risk.

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic and political events that dictate the levels of supply and demand. As at December 31, 2025, a 5% change in price of oil would represent a change in net loss for the year ended December 31, 2025 of approximately $17,500 (2024 - $23,500).

12. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

The Corporation's policy is to maintain a strong and stable capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and issues share capital to manage its development plans. There have been no changes to how the Company manages its capital in the current year. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation's management. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation is not subject to externally imposed capital requirements.

The Corporation considers its capital structure to be shareholders' equity.