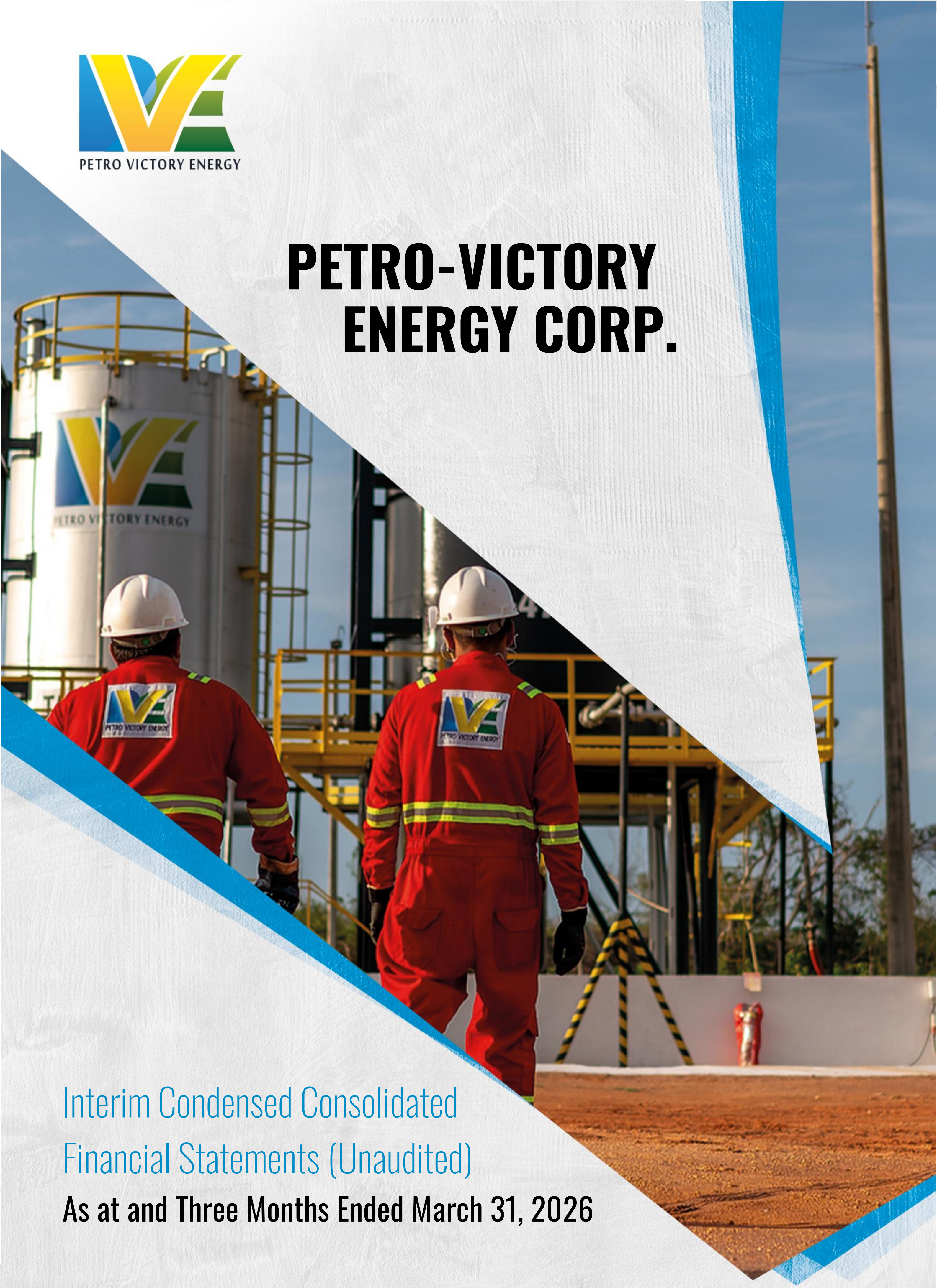
PETRO VICTORY ENERGY

PETRO-VICTORY ENERGY CORP.



Interim Condensed Consolidated Financial Statements (Unaudited)

As at and Three Months Ended March 31, 2026

PETRO-VICTORY ENERGY CORP.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited, In thousands of United States Dollars)

		March 31, 2026		December 31, 2025
ASSETS				
Current assets:				
Cash and cash equivalents	$	**241**	$	167
Prepaid expenses		**160**		76
Other assets (Note 4)		**493**		365
Total current assets		**894**		608
Deposits (Note 5)		**2,744**		2,613
Assets held for sale (Note 6)		**3,286**		-
Property, plant and equipment, net (Note 7)		**2,613**		3,575
Exploration and evaluation assets (Note 8)		**2,387**		6,757
Right of use assets, net (Note 9)		**34**		39
Total assets		**11,958**		13,592
LIABILITIES AND MEMBERS' CAPITAL				
Current liabilities:				
Accounts payable		**3,335**		3,292
Accrued liabilities (Note 10)		**2,738**		4,495
Lease liability, current (Note 9)		**28**		27
Current portion of long-term debt (Note 11)		**12,484**		13,045
Total current liabilities		**18,585**		20,859
Long-term debt (Note 11)		**1,700**		-
Derivative warrant liability (Note 11)		**1,432**		1,912
Lease liability, net of current portion (Note 9)		**10**		16
Decommissioning liabilities (Note 12)		**212**		442
Other liabilities		**124**		131
Total liabilities		**22,063**		23,360
Shareholders' Equity				
Share capital (Note 13)		**91,213**		90,721
Contributed surplus		**5,772**		5,673
Retained earnings (deficit)		**(107,360)**		(107,051)
Accumulated other comprehensive gain (loss)		**270**		889
Total shareholders' equity		**(10,105)**		(9,768)
Total liabilities and shareholders' equity		**11,958**		13,592

Approved by the Board of Directors and authorized for issuance on May 21, 2026.

"Richard F. Gonzalez"
Richard F. Gonzalez, CEO

"Daniel R. Wray"
Daniel R. Wray, CFO

See accompanying notes to consolidated financial statements.

PETRO-VICTORY ENERGY CORP
Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited, In thousands of United States dollars)

	Three Months Ended March 31, 2026	2025
Revenues:		
Net revenues from oil sales	$ 78	$ 200
Less: royalties	(2)	(10)
Net oil revenue (Note 14)	76	190
Expenses:		
Production costs	84	176
Depletion, depreciation and amortization	146	127
Exploration costs	4	1
Share-based compensation (Note 13)	99	161
General and administrative (Note 15)	846	1,231
Total expenses	1,179	1,696
Operating income (loss)	(1,103)	(1,506)
Finance and other expenses (income)		
Interest expense (Note 15)	474	360
Interest income (Note 15)	(49)	(44)
Loss (gain) on fair value of warrants (Note 11)	(961)	716
Other financing expenses (Note 15)	627	292
Other non-operating loss (gain) (Note 15)	3	18
Total finance and other expenses	94	1,342
Income (loss) before taxes	(1,197)	(2,848)
Income taxes		
Current	-	-
Deferred	-	-
Total	-	-
Net income (loss)	(1,197)	(2,848)
Exchange gain (loss) on translation of foreign operations	270	589
Comprehensive income (loss)	(927)	(2,259)
Weighted average shares outstanding	23,564	20,800
Income (loss) per share (basic and diluted)	(0.04)	(0.11)

See accompanying notes to consolidated financial statements.

PETRO-VICTORY ENERGY CORP.
Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, In thousands of United States Dollars)

	Share Capital						
	Class A common shares		Class B common shares		Contributed	Accumulated	
	Shares	Amount	Shares	Amount	Surplus	Deficit	Total
Balance at December 31, 2024	**16,256**	**56,228**	**4,333**	**31,735**	**4,973**	**(97,835)**	**(4,899)**
Compensation expense recognized in connection with stock options	-	-	-	-	161		161
Issuance of Class A common stock for stock options	597	333	-	-	-	-	333
Net loss for the three months ended March 31, 2025	-	-	-	-	-	(2,848)	(2,848)
Accumulated Other Comprehensive Income (Loss)	-	-	-	-	-	589	589
Balance at March 31, 2025	**16,853**	**56,561**	**4,333**	**31,735**	**5,134**	**(100,094)**	**(6,664)**
Balance at December 31, 2025	**19,071**	**58,985**	**4,333**	**31,735**	**5,673**	**(106,161)**	**(9,768)**
Compensation expense recognized in connection with stock options	-	-	-	-	99	-	99
Issuance of Class A common stock for warrants	1,120	491	-	-	-	-	491
Net loss for the three months ended March 31, 2026	-	-	-	-	-	(1,197)	(1,197)
Accumulated Other Comprehensive Income (Loss)	-	-	-	-	-	270	270
Balance at March 31, 2026	**20,191**	**59,476**	**4,333**	**31,735**	**5,772**	**(107,088)**	**(10,105)**

PETRO-VICTORY ENERGY CORP
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands of United States Dollars)

	Three Months Ended March 31, 2026	2025
Operating Activities		
Net income (loss)	$ (1,197)	$ (2,848)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Accretion of transaction costs	753	299
Accretion of decommissioning obligations	12	1
Depletion, depreciation and amortization	139	121
Share-based compensation	99	161
Lease Interest Expense	1	1
Accretion and depletion of Right of use asset	6	5
Interest income on guarantee deposits	(53)	-
Change in fair value of derivative warrant liability	(961)	742
Extinguishment of warrants in connection with debt	-	(26)
Changes in other assets and liabilities:		
Prepaid expenses	(82)	(82)
Other assets	(117)	263
Accounts payable	(51)	(3)
Accrued liabilities and other	405	77
Net cash used in operating activities	(1,046)	(1,289)
Investing Activities		
Property, Plant and Equipment additions	(40)	(2)
Exploration and Evaluation asset additions	(121)	(24)
Redemption (deposits) of work program guarantees	28	11
Net cash used in investing activities	(133)	(15)
Financing Activities		
Proceeds from exercise of warrants	491	-
Proceeds from exercise of stock options	-	333
Loan proceeds	733	651
Lease liabilities payments	(7)	(6)
Repayment of debt	(258)	(14)
Interest accrued	392	295
Interest paid	(0)	(1)
Net cash provided by financing activities	1,351	1,258
Increase (decrease) in cash	172	(46)
Effect of exchange rates on cash and cash equivalents	(98)	(192)
Cash and cash equivalents (including restricted cash)		
Beginning of the period	167	275
End of the period	$ 241	$ 37
Supplemental Disclosure of Cash Flow Information		
Warrants issued in connection with debt (Non-Cash Item)	481	460

NOTE 1 - GENERAL INFORMATION

Petro-Victory Energy Corp. and its subsidiaries ("Petro-Victory" or the "Corporation" or the "Company") are engaged in petroleum and natural gas exploration, development, and production activities in Brazil. The Corporation is domiciled in the British Virgin Islands ("BVI") and maintains its United States ("US") headquarters and registered office at 5960 Berkshire Lane, 6th Floor, Dallas, Texas. The Corporation's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "VRY."

As of the date of this filing, the Company's portfolio comprises 31 concession contracts totaling 210,583 acres held 100% by Petro-Victory, an additional 4 concessions representing 11,413 acres held jointly with BlueOak Investments Asset Ltda. ("BlueOak") through Capixaba Energia Ltda. ("Capixaba"), as well as 10.25% equity investment in Azevedo & Travassos Energia S.A. ("ATE"), expected to close in second quarter. The Company's assets are located across three producing basins: the Potiguar Basin, the Barreirinhas Basin, and the Espírito Santo Basin.

The Company's strategy is focused on disciplined execution, scaling production, and enhancing profitability and free cash flow through strategic partnerships. These arrangements primarily relate to asset development activities and are reflected in the consolidated financial statements through the relevant disclosures, where applicable.

The consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on May 21, 2026.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Statement of Compliance

The consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Management confirms that all relevant pieces of information characteristic of financial statements are being evidenced and incorporated herein.

2.2. Going Concern and Uncertainties

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As of March 31, 2026, the Company had a working capital deficiency of approximately $17.7 million and cash of $241 thousand, which was not sufficient to fund anticipated operating expenditures, debt service requirements, and planned activities for the twelve-month period following the reporting date without additional financing.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2. Going Concern and Uncertainties (continued)

The working capital deficiency primarily comprises approximately $12.5 million of debt and approximately $6.1 million of accounts payable and accrued liabilities. Management continues to evaluate and implement initiatives intended to improve the Company's liquidity position and working capital.

Subsequent to this period, the Company undertook the following actions to address its near-term liquidity requirements:

- In February and March 2026, the Company implemented an equity warrant incentive program under which proceeds of approximately US$0.5 million were received and applied toward the repayment of existing promissory notes and general working capital requirements. The program expired on April 27, 2026, at which time 64% of the equity warrants subject to the incentive program had been exercised for new total of US$0.8 million.

- Additionally, in April, 2026, 1,062,123 warrants in connection with debt had been exercised at an exercise price of C$0.61. The US$0.5 million was applied toward the repayment of existing promissory notes.

- In April 2026, the Company announced a proposed debt-for-shares private placement of up to $6.2 million, intended to reduce short-term obligations. The completion of this transaction remains subject to acceptance by the TSX Venture Exchange.

The Company has incurred losses since inception and expects that it will continue to require external financing while it advances its development activities. Management believes that the ability of the Company to meet its obligations as they come due is dependent upon its ability to generate additional cash flows from operations, complete planned financing transactions, and obtain waivers or extensions of existing obligations, as necessary.

The factors above give rise to a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. The ability of the Corporation to continue as a going concern and meet its commitments as they become due is dependent on continued support from key creditors and lenders, the Corporation's ability to achieve profitable operations, and obtaining the necessary debt and equity financing required to execute its business plans. If the going concern assumption was not appropriate for these financial statements, material adjustments might be necessary to the carrying values of assets and liabilities, reported expenses, and the financial statement classifications and presentation.

2.3. Basis of Measurement

The financial statements have been prepared on the historical cost basis except as otherwise noted.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.4. Functional and Presentation Currency

These financial statements are presented in United States dollars which is the Corporation's functional currency. The Company has defined its functional currency as the United States dollar because it represents the currency that best reflects the economic environment in which the Company operates and how it is managed. Unless otherwise indicated, all "dollar" amounts or references to "$" refer to United States dollars.

2.5. Significant Estimates and Management Judgements

The timely preparation of financial statements in accordance with IFRS requires that management make estimates, assumptions and use judgement regarding the measured amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. The ultimate settlement of transactions involving these estimates may result in significantly different values from those currently recognized in the Financial Statements, due to risks inherent to the estimation process. The Company reviews its estimates and assumptions on an ongoing basis in order to most accurately reflect the transactions involved. The following discussion relates to amounts determined by management which required significant estimation and/or judgement:

Significant estimation is involved in determining the fair value of the derivative warrant liability associated with debt financings. The Corporation uses the Black-Scholes model, which requires the use of estimation and assumptions for key inputs, to calculate the fair value.

The calculation of stock-based compensation expense is subject to uncertainty as the key assumptions used in the stock-based compensation calculation are based on estimated volatility and estimated forfeiture rates for stock options that will not vest.

The application of the Corporation's accounting policy for Exploration and Evaluation ("E&E") expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when E&E assets are reclassified to PP&E. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Corporation's internal approval process.

Petroleum and natural gas assets are depleted on a unit-of-production basis at a rate calculated by reference to proved reserves determined in accordance with National Instrument 51-101, Standards of disclosure for Oil and Gas Activities ("NI 51-101") and incorporating the estimated future cost of developing and extracting those reserves. Proved reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological,

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.5. Significant Estimates and Management Judgements (continued)

geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs, and which are considered commercially producible.

Reserves estimates, although not reported as part of the Corporation's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion, decommissioning liabilities, deferred taxes and asset impairments. Independent reservoir engineers perform evaluations of the Corporation's oil and gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecast, commodity prices and costs and related future cash flows, all of which may vary considerably from actual results.

Natural gas and crude oil assets are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement. The recoverability of development and production asset carrying values is assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Provisions are recorded for the future decommissioning and restoration of the Corporation's exploration and evaluation and production assets and infrastructure at the end of their economic lives. Management uses judgment to assess the existence and to estimate the future liability. The actual cost of decommissioning and restoration is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. In addition, management determines the appropriate discount rate at the end of each reporting period. This discount rate is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

Provisions are made in the Financial Statements for contingencies related to judicial processes for which it is probable that an outflow of resources will be required to liquidate the contingency/liability and a reasonable estimate can be made. The evaluation of the loss probability includes the evaluation of the evidence available, the hierarchy of laws, the available jurisprudence, the most recent decisions in court and their relevance, as well as the opinions of external legal advisors. The provisions are revised and adjusted taking into consideration changes in circumstances, such as applicable filing deadlines conclusions from fiscal inspections or additional exposures identified based on new court decisions.

The estimate of fair value on initial recognition and subsequent measurement for financial instruments classified as fair value through profit and loss and fair value through other comprehensive income. Estimates of this nature rely on Level 1 through Level 3 inputs, which can vary significantly from one reporting period to another and have different degrees of measurability and observation. The fair value of these instruments may be subject to material fluctuations.

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements as at March 31, 2026 and as at March 31, 2025, and the consolidated financial statements as of December 31, 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the presentation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting. These interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2025. These statements do not contain all disclosures required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2025.

NOTE 4 – OTHER ASSETS

Other assets are as follows:

		As at,		
		March 31, 2026		December 31, 2025
Advances to suppliers	**$**	**92**	$	106
Taxes to be recovered		**96**		145
Inventories		**67**		-
Other assets		**238**		114
Total other assets	**$**	**493**	$	365

Advances to suppliers relates to prepayments made in connection with capital expenditures and exploration and evaluation activities. These amounts are recognized as the related services are rendered.

Taxes to be recovered mainly comprise indirect taxes recoverable in Brazil (PIS and COFINS), which are expected to be realized in the normal course of operating by offsetting taxes payable in the subsequent months.

Other assets item includes other minor items expected to be realized in the normal course of operations.

NOTE 5 - DEPOSITS

The Corporation is required to provide bank guarantees in respect of minimum work program commitments for exploration block concessions (Note 19). To secure these guarantees, cash is deposited with a bank; the deposits earn nominal interest and are released when the related work program obligations are satisfied.

The movements in deposits during the year were as follows:

NOTE 5 – DEPOSITS (continued)

		As at		
		March 31, 2026		December 31, 2025
Balance, beginning of period	**$**	**2,613**	$	2,391
Deposits of work program guarantees		**-**		19
Interest income on guarantee deposits		**53**		203
Redemption of work program guarantees		**(28)**		(305)
Foreign currency translation		**106**		305
Balance, end of period	**$**	**2,744**	$	2,613

NOTE 6 – ASSETS HELD FOR SALE

On March 26, 2026, the Company announced the execution of a binding agreement with ATE, a publicly traded Brazilian energy company, pursuant to which the Company agreed to contribute certain oil and gas assets in exchange for an equity interest in ATE.

As consideration for the transaction, the Company expects to receive newly issued common shares of ATE representing 10.25% of ATE's issued and outstanding share capital following the initial closing.

The assets to be contributed by the Company include the Andorinha field concession, a portfolio of six exploration blocks in the Potiguar Basin, and certain related assets and liabilities associated with those operations. The transaction is expected to be completed in 2026, subject to the satisfaction of customary closing conditions, including required corporate, regulatory and stock exchange approvals, including approval by the ANP.

As at March 31, 2026, management concluded that the criteria under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations had been met, as the transaction was considered highly probable and the disposal group was available for immediate transfer in its present condition. Accordingly, the related assets and liabilities were classified as assets held for sale and liabilities directly associated with assets held for sale in the interim condensed consolidated statement of financial position.

The major classes of assets and liabilities classified as held for sale as at March 31, 2026 were as follows:

Assets held for sale

		March 31, 2026		December 31, 2025
Property, plant and equipment	**$**	**1,008**	$	-
Exploration and evaluation assets		**4,767**		-
Total assets held for sale		**5,775**		-
Decommissioning liabilities	**$**	**(259)**	$	-
Contingent liabilities		**(2,230)**		-
Total liabilities directly associated with assets held for sale		**(2,489)**		-
Assets held for sale	**$**	**3,286**	$	-

NOTE 6 – ASSETS HELD FOR SALE (continued)

The assets classified as held for sale are presented at the lower of carrying amount and fair value less costs to sell. Based on management's assessment as at March 31, 2026, no additional impairment was recognized on classification as held for sale.

NOTE 7 – PROPERTY, PLANT, AND EQUIPMENT

	As at	
	March 31, 2026	December 31, 2025
Balance, beginning of period	**$ 8,018**	$ 6,659
Additions	**40**	1,331
Revisions to asset retirement obligations (i)	**-**	(956)
Transfer to assets held for sale (iii)	**(2,717)**	-
Foreign currency translation	**194**	984
Balance, end of period	**$ 5,535**	$ 8,018
Accumulated depletion and depreciation, beginning of period (ii)	**$ 2,719**	$ 1,734
Depletion and depreciation	**139**	781
Transfer to assets held for sale (iii)	**(1,709)**	-
Foreign currency translation	**315**	204
Accumulated depletion and depreciation, end of period	**1,464**	2,719
Impairment, beginning of period	**$ 1,724**	$ 137
Recognition of impairment	**-**	1,381
Foreign currency translation	**(266)**	206
Impairment, end of period	**1,458**	1,724
Net book value, end of period	**$ 2,613**	$ 3,575

(i) *Establishment of abandonment provision, as in explanatory note 12 Decommissioning obligations*

(ii) *The Company records the depletion and depreciation according to the estimated production capacity for each block, compared to the effective production of the period, based on the "units of production method" (MUP).*

(iii) *The total cost and depletion transferred to Assets Held for Sale, net, was $1,008 million, as described in Note 6.*

During 2025, the Corporation capitalized $1.3 million as part of its interventions at the Andorinha complex and fixed asset inventory to support the future programs.

NOTE 7 – PROPERTY, PLANT, AND EQUIPMENT (continued)

Impairment of Property, Plant and Equipment

No new impairment indicators were identified during the three months ended March 31, 2026.

In 2025, impairment indicators were identified for certain oil and gas assets, including increased water production and lower output. As a result, the Corporation recognized an individual impairment loss of $0.6 million on the SJ-01 well. In addition, following the separate assessment of the Andorinha field, which was determined to be fully recoverable, the Corporation recognized an impairment loss of $0.7 million on the remaining Potiguar CGU (Trapiá and Alto Alegre fields).

The 2025 recoverable amounts were determined using discounted cash flow models based on estimated reserve volumes, long-term oil price assumptions, and a 10% discount rate, consistent with the Corporation's external independent reserve report.

NOTE 8 - EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets represent permits and other intangible and tangible costs incurred and capitalized pending evaluation of the prospect or concession. Occasionally, the Corporation is required to acquire permits pursuant to farm-in and other acquisition agreements. The following amounts were included in E&E assets at the end of each period.

	As at			
		March 31, 2026		December 31, 2025
Balance, beginning of period	**$**	**6,757**	$	5,052
Additions		**121**		1,420
Revisions to asset retirement obligations		**-**		(569)
Exploration costs		**-**		188
Transfer to assets held for sale – Note 6		**(4,767)**		-
Foreign currency translation		**276**		666
Balance, end of period	**$**	**2,387**	$	6,757

The Corporation recognized an Asset Retirement Obligation ("ARO") related to initial development site preparation in the Andorinha field. The measurement was made at fair value as described in Note 12 – Decommissioning Obligations.

NOTE 9 - RIGHT-OF-USE ("ROU") ASSETS AND LIABILITIES

The Corporation leases office space in Brazil, under a lease which has an expiration date in 2027. The net book value of the Corporation's ROU assets is as follows:

NOTE 9 - RIGHT-OF-USE (“ROU”) ASSETS AND LIABILITIES (continued)

	As at	
	March 31, 2026	December 31, 2025
Net book value, beginning of period	**$ 39**	$ 54
Additions	**-**	2
Depreciation	**(6)**	(23)
Foreign currency translation	**1**	6
Net book value, end of period	**$ 34**	$ 39

	As at	
	March 31, 2026	December 31, 2025
Lease liabilities, beginning of period	**$ 43**	$ 58
Additions	**-**	2
Lease interest	**1**	4
Lease payments	**(7)**	(27)
Foreign currency translation	**1**	6
Lease liabilities, end of period	**$ 38**	$ 43
Current	**$ 28**	$ 27
Non-current	**10**	16
Total	**$ 38**	$ 43

NOTE 10 – ACCRUED LIABILITIES

	As at,	
	March 31, 2026	December 31, 2025
Azevedo e Travassos Petróleo (“ATP”) partnership	**$ -**	$ (1,829)
Accrued compensation	**(2,117)**	(2,061)
Other liabilities	**(621)**	(605)
Total accrued liabilities	**$ (2,738)**	$ (4,495)

In March 2026, as disclosed in Note 6, decommissioning liabilities related to the Andorinha field were reclassified to liabilities directly associated with assets held for sale.

Accrued liabilities also include deferred compensation, primarily comprised of directors’ fees and related costs.

NOTE 11 - DEBT AND DERIVATIVE WARRANT LIABILITY

Debt

	As at	
	March 31, 2026	December 31, 2025
Balance, beginning of period	**$ 13,045**	$ 10,166
Loan proceeds	**733**	3,250
Amortization of deferred financing costs	**753**	2,224
Loan payments	**(258)**	(727)
Accrued Interest	**392**	1,390
Interest Paid	**-**	(248)
Warrants issued with new debt	**(481)**	(3,010)
Balance, end of period	**$ 14,184**	$ 13,045
Less current portion	**(12,484)**	(13,045)
Long-term debt, end of period	**$ 1,700**	$ -

During the three months ended March 31, 2026, the Corporation issued short-term promissory notes totaling $732 thousand payable to existing shareholders of the Corporation. In connection with those short-term promissory notes the Corporation issued 1,527,068 warrants.

On March 23, 2026, the Company announced an extension of its US$1.7 million secured loan with 579 Max Ltd. Under the amended terms, the loan maturity date was extended from March 31, 2026 to March 31, 2028, and continues to bear interest at 14% per annum, payable quarterly. In connection with the extension, 600,000 previously issued bonus warrants expired, and the Company granted the lender 600,000 common share purchase warrants, exercisable at C$0.68 per share and expiring on March 31, 2028.

During the year ended December 31, 2025, the Corporation issued short-term promissory notes to existing shareholders with aggregate principal proceeds of $3.3 million and issued 6,175,238 warrants in connection therewith. During the year, certain existing promissory notes were extended. In connection with these extensions, 4,267,504 warrants were cancelled and re-issued and a further 1,847,184 warrants that expired concurrently with the extensions were re-issued on substantially the same terms, thereby extending the warrant expiry dates. The short-term promissory notes bear interest at 14% per annum. Of the 4,267,504 warrants cancelled and re-issued 475,000 warrants were cancelled and an additional 100,000 warrants were issued in connection with the extension of an existing loan.

Amortization of deferred costs including the warrants' fair value costs at the issue date and other financing fees incurred to secure the credit facilities are recorded as a reduction of the outstanding loan balances in the year incurred and are amortized as accretion expense over the term of the respective loans.

Legal costs and other financing fees incurred to secure the credit facilities are recorded as a reduction of the outstanding loan balances in the year incurred and are amortized as accretion expense over the term of the respective loans.

NOTE 11 - DEBT AND DERIVATIVE WARRANT LIABILITY (continued)

Warrants Issued with Debt
(Note 13 for other warrants)

	As at					
	March 31, 2026			December 31, 2025		
	Warrants		**Weighted Average Exercise Price (CAD)**	Warrants		Weighted Average Exercise Price (CAD)
Outstanding, beginning of period	**10,856**	**$**	**0.91**	4,580	$	1.52
Issued	**2,127**		**0.61**	12,390		0.92
Exercised	**-**		**-**	-		-
Extinguished	**-**		**-**	(4,267)		(1.21)
Expired	**(600)**		**(1.25)**	(1,847)		(1.25)
Outstanding, end of period	**12,383**	**$**	**0.84**	10,856	$	0.91
Exercisable, end of period	**12,383**	**$**	**0.84**	10,856	$	0.91

Details of the warrants that were issued with debt that were outstanding at March 31, 2026 are as follows:

Warrants outstanding	**Weighted average exercise price (CAD)**		**Warrants exercisable**	**Weighted average years to expiry**
12,383	$	0.84	12,383	0.4841

The number of common shares to be issued on the exercise of warrants and the price per share are fixed; however, since the functional currency of the Corporation and the loans are USD denominated, the warrants do not meet the requirements of an equity instrument. Based on IFRS requirements and specifically IAS 32, the warrants are instead classified as derivative financial liabilities. Accordingly, the value of the warrants is to be measured at their fair value on initial recognition and subsequent measurement.

For valuation purposes, the Corporation used the Black-Scholes method to determine the fair value at March 31, 2026 to be $1.4 million (December 31, 2025 - $1.9 million). The net change in the fair value of the derivative liability is charged to the Statement of Operations and Comprehensive Income (Loss) and resulted in recognizing a $961 thousand gain for the three months ended March 31, 2026 (three months ended March 31, 2025 - $716 thousand loss). The average fair values of each warrant at March 31, 2026 and December 31, 2025 were $0.12 and $0.17, respectively.

NOTE 11 - DEBT AND DERIVATIVE WARRANT LIABILITY (continued)

Derivative warrant liability

		As at		
		March 31, 2026		December 31, 2025
Balance, beginning of period	**$**	**1,912**	$	501
Change in fair value of derivative warrant liability (i)		**(961)**		(1,186)
Extinguishment of warrants in connection with debt (i)		**-**		(413)
Warrants issued in connection with debt (ii)		**481**		3,010
Balance, end of period	**$**	**1,432**	$	1,912

(i) *For the three months ended March 31, 2026, the Corporation recognized a fair value gain of $961 thousand related to derivative warrant liabilities in profit or loss in accordance with IFRS 9 – Financial Instruments.*

(ii) *During the period, the Corporation issued 2,127,068 warrants in connection with debt financing from insiders. As part of the credit facilities, the fair value of the warrants at initial recognition was recorded within the loan balances on the issue date and is amortized as accretion expense over the term of the respective loans.*

NOTE 12 - DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from its ownership interests in petroleum and natural gas assets, including well sites, facilities, and gathering systems. The total decommissioning obligations are estimated based on net ownership interests, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The total undiscounted amount of the estimated cash flows required to settle its decommissioning liabilities are approximately $1.2 million (2025 - $1.1 million) which will be settled over the operating lives of the underlying assets, estimated to occur between 2034 and 2039.

A risk-free interest rate of 10% (2025 – 10%) and an inflation rate of 3.5% (2025 – 3.5%) were used to calculate the decommissioning liability.

Decommissioning liabilities

		As at		
		March 31, 2026		December 31, 2025
Balance, beginning of period	**$**	**442**	$	2,134
Revisions in estimates capitalized to assets		**-**		(1,525)
Revisions in estimates recognized in P&L		**-**		(484)
Accretion expense		**12**		80
Transfer to assets held for sale		**(259)**		
Foreign currency translation		**17**		237
Balance, end of period	**$**	**212**	$	442

NOTE 12 - DECOMMISSIONING OBLIGATIONS (continued)

In March 2026, as disclosed in Note 6, the Decommissioning Liabilities directly associated with Andorinha field were transferred to assets held for sale.

During 2025, the Company recognized a net reduction of $2 million in decommissioning liabilities, primarily resulting from revisions to estimated abandonment costs based on updated cost estimates in accordance with Brazil's Agency of Petroleum, Natural Gas and Biofuels ("ANP") requirements, benchmarked to an analogous well decommissioning completed.

Revisions to estimated costs were recognized as adjustments to the carrying amount of the related PP&E and E&E assets when such assets remained recognized, and directly in profit or loss when the related wells were no longer recognized as assets.

The provision is accreted over time to reflect the passage of time, with accretion expense recognized in finance costs.

NOTE 13 - SHARE CAPITAL

13.1. Authorized share capital

The Corporation's authorized share capital consists of an unlimited number Class A Common Stock, no par value, an unlimited number of Class B Restricted Voting Shares, no par value, immediately convertible to Class A shares, and an unlimited number of Preferred Shares, no par value, which can be issued in one or more series with the terms for each series determined by the Board of Directors.

13.2. Issued share capital and exercises

During the three months ended March 31, 2026, the Corporation issued 1,120,180 Class A common shares for cash through warrant exercises at a weighted-average exercise price of C$0.60 per share.

During the year ended December 31, 2025, the Corporation issued 2,217,808 Class A common shares for cash through private placements at a price of C$1.50 per share and issued 596,502 Class A common shares upon the exercise of stock options at a weighted-average exercise price of C$0.80 per share.

During the year ended December 31, 2024, the Corporation issued 1,205,350 units at a price of C$3.00 per unit, with each unit comprised of one Class A common share and one transferable common share purchase warrant exercisable at C$4.00 per share for a period of twelve months. During 2024, the Corporation also issued 684,312 Class A common shares upon the exercise of stock options at weighted-average exercise prices ranging from C$0.80 to C$1.07, including cashless exercises, and 64,000 Class A common shares upon the exercise of warrants for aggregate proceeds of $118 thousand.

The Corporation has issued common share purchase warrants in connection with (i) equity financings and other transactions, which are classified in equity and presented in Note 13, and (ii) certain debt financings, which are denominated in Canadian dollars while the Corporation's functional currency is U.S. dollars and

NOTE 13 - SHARE CAPITAL (continued)

13.2. Issued share capital and exercises (continued)

therefore are classified as derivative financial liabilities in accordance with IAS 32 and presented in Note 11.

13.3. Private Placement and Other Warrants

The Corporation has issued transferable common share purchase warrants in connection with private placements that are classified as equity instruments. Warrants issued in connection with certain debt financings are denominated in Canadian dollars while the Corporation's functional currency is the U.S. dollar and are therefore classified as derivative financial liabilities; such warrants are excluded from this note and are disclosed in Note 11 – Debt and Derivative Warrant Liability.

The continuity of equity-classified warrants is as follows:

			As at			
	March 31, 2026			December 31, 2025		
	Number of Warrants		**Weighted Average Exercise Price (CAD)**	Number of Warrants		Weighted Average Exercise Price (CAD)
Outstanding, beginning of period	**3,057**	**$**	**3.32**	3,553	$	3.32
Issued with private placements	**-**		**-**	-		-
Exercised	**(1,120)**		**(0.60)**	-		-
Expired	**(697)**		**(1.94)**	(496)		(4.00)
Outstanding, end of period	**1,240**	**$**	**0.60**	3,057	$	3.32
Exercisable, end of period	**1,240**	**$**	**0.60**	3,057	$	3.32
Weighted average life remaining- **0.07 years**						

As at March 31, 2026, private placement warrants outstanding had a weighted-average remaining contractual life of approximately 0.07 years.

On March 13, 2026, the Company announced an amendment to the terms of certain outstanding common share purchase warrants originally issued in connection with private placements completed in March 2023 and February 2024. The amendments relate to 1,205,350 warrants issued on February 27, 2024 and 1,851,960 warrants issued on March 28, 2023, which were originally exercisable at CAD $4.00 per common share. The Company reduced the exercise price of the February warrants to CAD $0.60 per share and extended their expiry date to March 29, 2026, and reduced the exercise price of 1,577,156 of the March warrants to CAD $0.60 per share and extended their expiry date to April 27, 2026, in order to provide an incentive to warrant holders to exercise their warrants.

NOTE 13 - SHARE CAPITAL (continued)

13.3. Private Placement and Other Warrants (continued)

A total of 1,120,180 warrants were exercised for the issuance of an equal number of common shares, a total of 697,154 warrants were expired on March 29, 2026, and the Company had 1,239,976 warrants outstanding under its incentive plan that remained exercisable until April 27, 2026.

Subsequent to the reporting period, on April 27, 2026, 672,796 equity warrants were exercised and 567,180 equity warrants from the incentive warrant plan expired, as mentioned in Note 21.

13.4. Stock Options

The Corporation's Stock Option Plan (the "Plan") permits the granting of options to purchase common shares to directors, officers, employees and consultants of the Corporation and its subsidiaries. The Plan allows for the granting of stock options for the purchase of outstanding common shares of the Corporation up to an annual limit established by the Board, and subject to the annual approval of a majority of the Corporation's shareholders. The Plan was most recently approved in June 2025 at the Annual General Meeting of shareholders.

A summary of the changes in options is presented below:

	Number of Options	Weighted Average Exercise Price (CAD$)	
Balance as at December 31, 2024	**4,014**	**$**	**2.01**
Granted	919		0.95
Exercised	(597)		(0.80)
Expired	(517)		(1.58)
Balance as at December 31, 2025	**3,819**	**$**	**2.00**
Granted	-		-
Exercised	-		-
Expired	-		-
Balance as at March 31, 2026	**3,819**	**$**	**2.00**

The details of the options outstanding at March 31, 2026 are as follows:

Options Outstanding (000's)		Weighted average exercise price (CAD$)	Weighted Average Remaining Contractual Life	Options Exercisable (000's)		Weighted average exercise price (CAD$)	Weighted average years to expiry
56		2.00	1.33	56		2.00	1.33
515		2.17	0.75	515		2.17	0.75
835		3.00	1.42	835		3.00	1.42
665		3.00	2.25	603		3.00	2.25
854		1.25	3.50	432		1.25	3.50
894		0.95	4.25	248		0.95	4.25
3,819	**$**	**2.00**	**2.60**	**2,689**	**$**	**2.35**	**2.07**

NOTE 13 - SHARE CAPITAL (continued)

13.4. Stock Options (continued)

On July 21, 2023, the Corporation issued 690,000 stock options expiring on July 20, 2028, with vesting periods ranging from 30 days to three years. The fair value of the options was determined using the Black Scholes pricing model with the following key assumptions: (1) average exercise price of \$3.00; (2) average expected volatility of 124.20%; (3) risk-free expected interest rate of 4.57%; (4) expected paid dividends of \$0.00. The estimated fair value of the was calculated at \$1.80.

On November 13, 2023, the Corporation issued 25,000 stock options expiring November 13, 2025, with a vesting period of one year. The fair value of the options was determined using the Black Scholes pricing model with the following key assumptions: (1) exercise price of \$3.00 (CAD); (2) volatility ranging of 116% (3) risk-free rate of 5.22% and (4) expected dividend yield of 0%. The estimated fair value of the was calculated at \$0.75.

On September 25, 2024, the Corporation issued 871,130 stock options expiring September 25, 2029, with a vesting period of three years. The fair value of the options was determined using the Black Scholes pricing model with the following key assumptions: (1) average exercise price of \$1.25; (2) average expected volatility of 79.90%; (3) risk-free expected interest rate of 3.67%; (4) expected paid dividends of \$0.00. The estimated fair value of the was calculated at \$0.72.

During the year ended December 31, 2025, the Corporation issued a total of 596,502 common shares through the exercise of stock options by board members and country directors. These options were exercised at a weighted average exercise price of CAD \$0.80 per share.

On May 20, 2025, the Corporation issued 918,507 stock options to officers and directors of the Corporation. These options have an expiry date of May 20, 2030, and a vesting period of three years. The fair value of the options was determined using the Black Scholes pricing model with the following key assumptions: (1) average exercise price of \$0.95; (2) average expected volatility of 85.33%; (3) risk-free expected interest rate of 3.77%; (4) expected paid dividends of \$0.00. The estimated fair value of the options was calculated at \$0.39.

For the year ended December 31, 2025, the Corporation recognized \$700 thousand (\$748 thousand in December 2024) of share-based compensation expense that has been included in the Statements of Operations and Comprehensive Income (Loss).

For the three months ended March 31, 2026, the Corporation recognized \$99 thousand (\$161 thousand in March 2025) of share-based compensation expense that has been included in the Statements of Operations and Comprehensive Income (Loss). At March 31, 2026, there was approximately \$318 thousand remaining unamortized share-based compensation costs related to the Company's option grants from 2023 through 2025 (\$0.5 million as of December 31, 2025). The balance reflects the impact of forfeitures and cancellations recognized during the period.

NOTE 13 - SHARE CAPITAL (continued)

13.4. Stock Options (continued)

Basic loss per share is calculated using the weighted average shares outstanding during the year of 23.6 million (2025 – 20.8 million). Stock options and warrants are ant-dilutive in nature; hence, diluted loss and diluted weighted average shares are not reported.

NOTE 14 – NET OIL REVENUE

	Three Months Ended March 31,			
		2026		2025
Sales of Oil	**$**	**86**	$	220
Deductions:				
Royalties		**(2)**		(10)
Sales taxes		**(8)**		(20)
Net Oil Revenue	**$**	**76**	$	190

NOTE 15 - SELECTED INCOME AND EXPENSES

Finance and other expenses (income)

	Three Months Ended March 31,			
		2026		2025
Interest expense on debts	**$**	**392**	$	295
Other interest expense		**82**		65
Interest expense		**474**		360
Interest income		**(49)**		(44)
Fair value change in warrants (Note 11)		**(961)**		(716)
Accretion on decommissioning liabilities		**12**		1
Amortization of deferred financing (Note 11)		**753**		299
Foreign exchange variation		**(139)**		(72)
Other financing costs		**1**		64
Other financing expenses (income)		**627**		292
Other non-operating loss (gain) (i)		**(18)**		18
Gain on settlement of assets		**21**		-
Other non-operating loss (gain)		**3**		18
Total other expenses	**$**	**94**	$	1,342

NOTE 15 - SELECTED INCOME AND EXPENSES (continued)

(i) During the quarter ended March 31, 2026, the Company recognized other non-operating income related to the tax credits and corresponding monetary inflation adjustment of these tax credits in Brazil, arising from specific tax recovery initiatives undertaken during the year. The related taxes outstanding to be recovered are presented in Note 4 – Other Assets.

General and administrative expenses

	Three Months Ended March 31,			
		2026		2025
Salaries and benefits	**$**	**473**	$	685
Professional fees		**184**		221
Office expense and other		**11**		80
Travel and related		**37**		83
Insurance		**19**		29
Director fees		**62**		75
Consulting		**60**		58
Total general and administrative expenses	**$**	**846**	$	1,231

NOTE 16 - SEGMENTED DATA

The Corporation operates in one industry, being the exploration and development of oil and gas resources, but in several geographic locations.

Segmented data for select assets and liabilities is noted in the following table:

March 31, 2026		**Brazil**		**Paraguay**		**United States**		**Total**
Cash	$	96	$	1	$	144	$	241
Exploration and evaluation assets		2,387		-		-		2,387
Property, plant and equipment		2,600		-		13		2,613
Deposits		2,744		-		-		2,744
Accounts payable		1,912		-		1,423		3,335
Accrued liabilities		211		-		2,527		2,738
Decommissioning obligations		212		-		-		212
Debt		-		-		14,184		14,184

December 31, 2025		**Brazil**		**Paraguay**		**United States**		**Total**
Cash	$	124	$	1	$	42	$	167
Exploration and evaluation assets		6,757		-		-		6,757
Property, plant and equipment		3,560		-		15		3,575
Deposits		2,613		-		-		2,613
Accounts payable		1,820		-		1,472		3,292
Accrued liabilities		2,040		-		2,455		4,495
Decommissioning obligations		442		-		-		442
Debt		-		-		13,045		13,045

NOTE 17 - FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS

The Corporation's financial instruments consist of cash and cash equivalents held by regulated financial institutions, other current assets, accounts payable, accrued liabilities and long-term debt. The Company does not make speculative investments in derivatives or any other risk assets.

Fair value

The fair values of cash and cash equivalents, other current assets, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying value of long-term debt approximates fair value and is recorded at amortized cost. The fair values of the investment and derivative warrant liability are measured on initial recognition and each subsequent reporting date using Level 3 hierarchy inputs.

Risks associated with financial assets and liabilities

The Corporation's activities are exposed to a variety of financial risks such as credit risk, market risk and liquidity risk that arise as a result of its activities. Management has primary responsibility for monitoring and managing financial instrument risks under the direction of the Board of Directors, which has overall responsibility for establishing the Corporation's risk management framework.

Market Risk

Market risk is the possibility that changes in foreign exchange rates, interest rates, access to capital, or the prices of crude oil and natural gas products will adversely affect the value of assets, liabilities and expected future cash flows.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world and continental/regional economic and other events that dictate the level of supply and demand (Note 3). Fluctuations in these prices may negatively impact the Corporation's ability to economically develop its resource properties and execute its business plans as access to capital could be restricted.

Credit Risk

The Corporation's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents, which is on deposit with reputable financial institutions. There has been no history of credit losses.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of the Corporation's financial assets and liabilities will fluctuate due to fluctuations in foreign exchange rates. The Corporation is exposed to foreign currency risk with respect to cash, other current assets, accounts payable, accrued liabilities, derivative warrant liability

NOTE 17 - FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS (continued)

Foreign exchange risk (continued)

and loans from directors and officers denominated in Canadian dollars and Brazilian reals. The Corporation does not currently manage currency risk through hedging or other currency management tools.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter should it have difficulty in meeting obligations associated with the financial liabilities. Financial liabilities consist of accounts payable, accrued liabilities and long-term debt which are due within one to five years. The Corporation manages its liquidity risk by forecasting cash flow requirements for its planned corporate activities and anticipated investing and financing activities. Management and the board of directors are actively involved in the review, planning and approval of significant expenditures and commitments. Liquidity difficulties would emerge if the Corporation was unable to establish a profitable production base to generate sufficient cash flow to cover both operating and capital requirements and service debt financing arrangements. The Corporation anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and issuance of debt or equity instruments.

Market Risk

Following are the contractual maturities of financial liabilities including expected interest payments at the end of each period:

March 31, 2026	Contractual Cash Flows	Less Than One Year	1 - 5 years
Accounts and income taxes payable	$ 3,335	$ 3,335	$ -
Accrued liabilities	2,738	2,738	-
Lease Liabilities	38	28	10
Debt and related interest payable	14,184	12,484	1,700
Total financial liabilities	**$ 20,295**	**$ 18,585**	**$ 1,710**

December 31, 2025	Contractual Cash Flows	Less Than One Year	1 - 5 years
Accounts and income taxes payable	$ 3,292	$ 3,292	$ -
Accrued liabilities	4,495	4,495	-
Lease Liabilities	43	27	16
Debt and related interest payable	13,045	13,045	-
Total financial liabilities	**$ 20,875**	**$ 20,859**	**$ 16**

NOTE 17 - FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS (continued)

Interest rate risk

Interest rate risk consists of three components:

(a) To the extent that payments made or received on the Corporation's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Corporation is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Corporation's monetary assets and liabilities, the Corporation is exposed to interest rate price risk.

(c) The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's cash and cash equivalent balances that are at a floating or short-term rate of interest and the long-term debt, which is at a fixed rate of interest. The Corporation does not have any hedging instruments in place at March 31, 2026 or December 31, 2025 to mitigate this risk.

Capital management

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support its operations. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of the Corporation's management to sustain future development of the business. 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.

Fair value of financial instruments

There are three levels for classification of fair value of financial instruments, the hierarchy provides priority for quoted prices not adjusted in active market regarding a financial asset or liability. The classification of the hierarchical levels can be presented as exposed below:

- Level 1 – Quoted prices (not adjusted) in active markets for identical assets or liabilities that the entity can have access at the measuring date.

- Level 2 – Evaluation techniques for which the lower-level information and significant for measuring the fair value is directly or indirectly observable.

- Level 3 – Evaluation techniques for which the lower-level information and significant for measuring the fair value is not available.

NOTE 17 - FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS (continued)

Fair value of financial instruments (continued)

The fair values of cash and cash equivalents, other current assets, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying value of long-term debt approximates fair value and is recorded at amortized cost. The fair values of the investment and derivative warrant liability are measured on initial recognition and each subsequent reporting date using level 3 hierarchy inputs.

NOTE 18 - RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties.

For the three months ended March 31, 2026, the Corporation incurred finance charges of $209 thousand (March 2025 – $163 thousand) on long-term debt and notes payable to officers and directors, which is included in accounts payable and accrued liabilities. As at March 31, 2026, there is accrued and unpaid interest of $1.6 million (March 2025 – $910 thousand) relating to outstanding debt of $1.7 million (2025 – $1.7 million) and short-term promissory notes payable to officers and directors of $4.6 million (March 2025 – $3.1 million).

At March 31, 2025, there are accrued and unpaid consulting, salary and related charges of $1.8 million (December 31, 2025 - $1.9 million) owing to consultants, officers and directors.

The compensation paid or payable to key management for services is as follows:

	Three Months Ended March 31,	
	2026	2025
Salaries and related and director fees	**$ 356**	$ 364
Share-based compensation	**99**	161
	$ 455	$ 525

NOTE 19 - COMMITMENTS AND CONTINGENCIES

19.1. Commitments with production and exploration activities

Pursuant to farm-in and other acquisition agreements, the Corporation is often obligated to meet minimum work commitments related to exploration and development activities. The Corporation will be required to obtain additional debt or equity financing in 2026 and beyond to fund commitments for future work programs.

The contracts for the granting of exploration rights were recognized by the acquisition cost value. The Andorinha, Trapiá, Alto Alegre and São João fields are in operational phase, and demonstrated below:

NOTE 19 - COMMITMENTS AND CONTINGENCIES (continued)

19.1. Commitments with production and exploration activities (continued)

Basin	Production field	Share %	Concession Expiry	Government royalties	Land owners royalties
Bacia Potiguar	Andorinha	100%	November 21, 2036	5%	1.0%
Bacia Potiguar	Alto Alegre	100%	May 12, 2034	5%	0.5%
Bacia Potiguar	Trapiá	100%	March 01, 2039	5%	0.5%
Bacia Barreirinha	São João	100%	May 12, 2034	5%	0.5%

Minimum Exploratory Program – PEM

As of March 31, 2026, the Company had the commitment of compliance with the PEM regulated by ANP, referring to the granting of the block, as shown below:

Concession Expiry	Quantity of Exploration Blocks	Minimum Work Program (BRL)	Minimum Work Program (USD)
2027	27	$ 36,303	$ 7,261
2028	7	8,630	1,726
Total	**34**	**$ 44,933**	**$ 8,987**

The total amount of $1.5 million (BRL 7.5 million) will be transferred in connection with the agreement with ATE, as mentioned in Note 6.

19.2. Legal claim

The Corporation is party to legal claims and disputes in the normal course of business. The Company establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable, and the loss is reasonably estimable.

The Company is party to a labor dispute litigation trial which resulted in a verdict and subsequent judgement against the Company totaling $1.3 million and attorney's fees of $940k, plus interest and court costs. The Company has filed a motion for a new trial and notice of appeal as management and legal counsel believe the jury's findings are contrary to the overwhelming weight of all evidence. The Company's consolidated financial statements do not reflect any provision for a loss with respect to this matter, as management does not believe there is a probable likelihood of an unfavorable outcome. The Company intends to vigorously defend itself on appeal against the claims asserted.

It is possible that an unfavorable outcome in legal claims or commitments or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company.

NOTE 20 – INSURANCE COVERAGE (NOT AUDITED)

The Corporation has insurance coverage to cover operational risks. The coverages were obtained from reputable insurance companies, in amounts considered sufficient by Management, considering the nature of the company's operations, and based on the recommendations of insurance consultants.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent event – Incentive warrant plan

On April 27, 2026, 672,796 equity warrants were exercised at an exercise price of C$0.60 that were a part of the incentive warrant plan. There were also 567,180 equity warrants that expired that were a part of the incentive warrants plan at an exercise price of C$0.60.

Subsequent event – Debt arrangements

Subsequent to March 31, 2026, the Company issued 336,550 common share purchase warrants to PVE Bridge, LLC in connection with a previously established loan facility LOC – Line of credit that the Company received $150 thousand dollars from the line of credit established. The warrants are exercisable at C$0.61 per share and expire on July 21, 2026.

Subsequent event – Warrants exercise

On April 27, 2026, 1,062,123 warrants had been exercised at an exercise price of C$0.61.