

NORTH 40 RESOURCES LTD.

November 27, 2025

PRESIDENT'S MESSAGE

North 40 Resources Ltd. is pleased to report its operating and financial results for the three and nine months ended September 30, 2025.

Highlights for this period include:

- Q3 2025 production averaged 7,301 boe per day (56% oil and liquids) which is a 50% increase from Q3 2024 average of 4,860 boe per day (65% oil and liquids). Production for the first nine months of 2025 averaged 7,335 boe per day (59% oil and liquids) compared to 4,900 boe per day (66% oil and liquids) in the same period of 2024.
- Generated funds flow from operations of \$12.0 million in the quarter and \$45.5 million in the nine months ended September 30, 2025.
- Operating netback of \$20.84/boe for the quarter and \$27.88/boe for the nine months ended September 30, 2025.
- Capital expenditures in Q3 2025 were \$15.9 million. Capital activity during this period included the drilling of three horizontal Ellerslie wells and the completion and equipping of four horizontal Ellerslie wells. Phase one and Phase two of the vertical well recompletions on the wells acquired in the Aerial property acquisition commenced in May 2025 and September 2025 are now complete.
- Realized further operating expense savings in Q3 2025 because of the North 40 Michichi 2-13 water disposal facility, increased production volumes and the acquisition of the 75% operated working interest in the Seiu Lake gas plant. Operating expenses averaged \$10.30 and \$10.78 per boe respectively for the third quarter and the first nine months of 2025. This is compared to \$13.53 and \$13.33 per boe in the third quarter and first nine months of 2024.

Q3 to Q4 2025 Activity

North 40 activity in Q3 2025 was comprised of the drilling of three horizontal Ellerslie oil wells and the completion and equipping of four horizontal Ellerslie Oil wells. Phase one and Phase two reactivations and recompletions are now complete.

To date in 2025, North 40 has drilled a total of fourteen wells, comprised of ten horizontal Ellerslie oil wells at Michichi /Aerial, two horizontal Ellerslie oil wells at Wayne and one disposal well at the Michichi 2-13 battery. All Ellerslie horizontal wells are now on production.

In total eight reactivations and three recompletion operations on the acquired Aerial property have been completed with all wells on production.

The Michichi 2-13 water disposal facility continues to dispose of North 40 trucked in produced water and all Michichi 2-13 battery produced water.

The transition of operatorship to North 40 at Seiu Lake gas processing plant was completed on November 1, 2025.

Acquisition and Funding

On November 20, 2025, North 40 closed the purchase of a high working interest property focused in our Sheerness prospect region for \$15 million dollars, subject to customary adjustments.

Highlights of the acquisition include:

- 105 net wells – 68 producing wells with an average working interest of 80 %.
- Estimated production of 400 boe/day. (26 % oil and liquids)
- Significant upside development identified in the Ellerslie and focused near North 40 assets.
- Potential in other targets such as Banff, Detrital Glauconitic, Sparky, Colony and Viking.
- Significant pipeline infrastructure including Operatorship of the Rowley 04-09 gas plant.
- Acquired Infrastructure will connect to Michichi infrastructure and deliver Aerial North 40 gas volumes to Rowley 04-09 gas plant.

To fund this entire acquisition North 40 has sold a royalty interest and infrastructure production payment to third parties.

Production in Q4 2025 has averaged approximately 7000 boe to date (56% oil and liquids).

First Quarter 2026

In Q1 2026 North 40 will be busy operationally.

At least six Ellerslie horizontal wells will be drilled.

A number of well recompletions and well reactivations will be undertaken on the acquired assets.

We are pleased to report our Board of Directors has approved a capital expenditure budget of \$25 million dollars for the first quarter of 2026.

Staffing

North 40 is pleased to announce the following new additions to our North 40 team:

- Dermot O'Connor has joined as Vice President Exploration.
- Jason Wong as a Facility Engineer.
- Patti McGill as a Senior Land Contracts Analyst.
- Josh Caswell as a Petroleum Geologist.
- Katrina Harrison as a Lease Administrator.

As always, we appreciate and thank you for your support. Please feel free to contact myself or Kim Schoenroth with any questions or comments you may have.

Sincerely,

NORTH 40 RESOURCES LTD.

Don W Robson
President & CEO

NORTH 40

RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following analysis was prepared as at November 27, 2025, and should be read in conjunction with North 40 Resources Ltd.'s ("North 40" or "the Company") audited financial statements and the accompanying notes for the years ended December 31, 2024 and the unaudited condensed financial statements and notes thereto for the three and nine months ended September 30, 2025 and 2024 which have been prepared in accordance with IFRS Accounting Standards ("IFRS" or "GAAP").

Basis of Presentation – The reporting and the measurement currency is the Canadian dollar. For the purposes of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated.

Forward-Looking Statements – Certain information set forth in this document, including management's assessment of North 40's future plans for capital expenditures and expectations for production rates, prices and operating results, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond North 40's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. North 40's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements.

Non-IFRS Measurements – Within Management's Discussion and Analysis, references are made to terms commonly used in the oil and gas industry. This document contains "funds flow from operations" which is a non-IFRS financial measure. This document also contains the terms "operating netback", "working capital surplus (deficiency)", and capital expenditures which are non-IFRS financial measures. These non-IFRS terms do not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures for other entities.

Funds flow from operations

Management uses funds flow from operations to evaluate performance. Funds flow from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities. Funds flow from operations per share is calculated based on the weighted average number of shares outstanding consistent with the calculation of net income or loss per share. Total boe is calculated by multiplying the daily production by the number of days in the period.

The following table reconciles funds flow from operations to cash provided by (used in) operating activities, which is the most directly comparable measure calculated in accordance with IFRS.

(thousands)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Cash provided by (used in) operating activities	\$14,231	\$12,513	\$48,316	\$33,757
Plus: Decommissioning expenditures	-	-	-	78
Plus: Net change in non-cash working capital	(2,263)	(811)	(2,781)	3,471
Funds flow from operations	\$11,968	\$11,702	\$45,535	\$37,306

Operating netback

Management uses operating netbacks as a profitability measure relative to current commodity prices. Operating netback is calculated as the weighted average sales price of all its commodities less royalties, operating and transportation expenses. There are no IFRS measures that are reasonably comparable to operating netbacks.

Working capital surplus (deficiency)

Working capital surplus (deficiency) is the total of current assets less current liabilities. This measure is used to assess efficiency, liquidity and general financial strength of the Company.

Capital Expenditures

Capital expenditures are the sum of exploration and evaluation and property and equipment, and acquisition expenditures disclosed in the Statements of Cash Flow.

(thousands, except per unit amounts and where indicated)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
FINANCIAL				
Petroleum and natural gas revenue	\$27,891	\$25,197	\$96,304	\$78,514
Funds flow from operations ⁽¹⁾	\$11,968	\$11,702	\$45,535	\$37,306
Per share – basic	\$0.15	\$0.15	\$0.59	\$0.49
Per share – diluted	\$0.14	\$0.14	\$0.54	\$0.45
Net income (loss)	\$1,141	\$(1,130)	\$(1,314)	\$3,907
Per share – basic	\$0.02	\$(0.02)	\$(0.02)	\$0.05
Per share – diluted	\$0.01	\$(0.02)	\$(0.02)	\$0.05
Capital expenditures ⁽²⁾	\$15,943	\$22,314	\$67,473	\$40,579
Working capital surplus (deficiency) ⁽³⁾ at end of period	\$(17,099)	\$(10,757)	\$(17,099)	\$(10,757)
Common shares outstanding at end of period	77,612	76,624	77,612	76,624
OPERATING				
Sales volumes				
Oil and liquids (bbls/day)	4,054	3,169	4,312	3,223
Natural gas (mcf/day)	19,485	10,150	18,138	10,068
Total (boe/day) ⁽⁴⁾	7,301	4,860	7,335	4,900
% Oil and liquids	56	65	59	66
Commodity prices realized (before pipeline tariffs)				
Oil and liquids (\$/bbl)	75.34	87.55	79.03	87.51
Natural gas (\$/mcf)	0.71	0.77	1.64	1.72
Total (\$/boe)	43.73	58.69	50.51	61.08
Operating netback (\$/boe) ⁽⁵⁾	20.84	27.59	25.52	30.16
Funds flow from operations netback (\$/boe) ⁽¹⁾	17.82	26.17	22.74	27.78
Net wells drilled	3.0	7.0	14.0	10.0
Net acres of land at end of period	262,380	267,272	262,380	267,272

⁽¹⁾ Funds flow from operations and funds flow from operations netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

⁽²⁾ Capital expenditures does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

⁽³⁾ Working capital surplus (deficiency) does not have a standardized measure prescribed by IFRS. See Non-IFRS Measurements section of the MD&A. Working capital deficiency at September 30, 2025, includes \$10.0 million of bank debt (nil at September 30, 2024) and \$1.2 million in cash (\$5.2 million in cash at September 30, 2024).

⁽⁴⁾ Boe conversion is 6:1

⁽⁵⁾ Operating netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

PRODUCTION

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Oil (bbls per day)	3,411	2,840	3,735	2,923
Liquids (bbls per day)	643	329	577	300
Natural gas (mcf per day)	19,485	10,150	18,138	10,068
BOE per day	7,301	4,860	7,335	4,900

Production in Q3 2025 averaged 7,301 boe per day (56% oil and liquids) which is a 50% increase from the Q3 2024 average of 4,860 boe per day (65% oil and liquids). Production for the first nine months of 2025 averaged 7,335 boe per day (59% oil and liquids) compared to 4,900 boe per day (66% oil and liquids) in the same period of 2024. Contributing to the increase in production are volume additions from the 2025 drilling program partially offset by natural expected declines.

Three wells were drilled in Q3 2025. One of these wells (Wayne) was brought on production in the third quarter and the other two wells (one at Wayne and one at Sheerness) were brought on production in the fourth quarter.

Four wells were brought on production at various times during the third quarter of 2025, three of these were at Sheerness and one at Wayne.

Oil and liquids production increased 28% to 4,054 bbls per day in Q3 2025 from 3,169 bbls per day in Q3 2024 and increased 34% to 4,312 bbls per day in the first nine months of 2025 from 3,223 bbls per day in the comparable 2024 period. Production increases from the 2025 drilling program were partially offset by natural expected production declines.

Natural gas production increased 92% to 19,485 mcf per day in Q3 2025 from 10,150 mcf per day in Q3 2024. Production in the first nine months of 2025 averaged 18,138 mcf per day which is an 80% increase from the 10,068 mcf per day in the same period of 2025. Production increases are from the same factors cited for oil and liquids production.

OPERATING NETBACK

(\$ per BOE)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Revenue ⁽¹⁾	\$41.52	\$56.35	\$48.09	\$58.47
Royalties	(8.40)	(13.00)	(9.68)	(12.62)
Operating expenses	(10.30)	(13.53)	(10.79)	(13.33)
Transportation expenses	(1.98)	(2.24)	(2.10)	(2.36)
Operating netback ⁽²⁾	\$20.84	\$27.59	\$25.52	\$30.16

⁽¹⁾ Includes pipeline tariff amount of \$2.21 and \$2.42 per boe for the three and nine months ended September 30, 2025, and \$2.34 and \$2.60 per boe in the comparable periods of 2024 respectively.

⁽²⁾ Operating netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

The lower operating netback in Q3 2025 and for the nine months ended September 30, 2025 compared to the same periods in 2024 was primarily due to lower realized prices for all commodities partially offset by lower royalties, operating expenses and transportation expenses.

COMMODITY PRICES

(\$ per bbl, before pipeline tariffs)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
WTI (US\$/bbl)	\$64.54	\$75.09	\$66.70	\$77.54
MSW benchmark price ⁽¹⁾	\$85.88	\$98.00	\$88.72	\$98.54
WCS benchmark price ⁽²⁾	\$74.60	\$83.99	\$77.85	\$84.48
Realized crude oil price	\$81.11	\$91.68	\$84.04	\$91.00

⁽¹⁾ Mixed sweet blend (MSW) is the benchmark conventionally produced light sweet crude for Western Canada. It is often referenced as Edmonton Par Crude.

⁽²⁾ Western Canadian Select (WCS) is a Hardisty based blend of conventional and oil sands production. WCS is a heavy sour blend of crude oil.

North 40's realized crude oil price reflects 27' API and differentials are typically close to the average of the MSW and WCS benchmark differentials.

North 40's realized crude oil price (before pipeline tariffs) in Q3 2025 was \$81.11 per barrel which is 12% lower than the Q3 2024 price of \$91.68 per barrel. WTI benchmark prices decreased 14% from \$75.09 per barrel in Q3 2024 to \$64.54 per barrel in Q3 2025 resulting in a decrease in North 40's realized price. The impact of a lower WTI benchmark was partially offset by narrower average Canadian stream differentials and a weaker Canadian dollar. The WCS differential narrowed to average US\$10.39 per barrel in Q3 2025 compared to US\$13.55 per barrel in Q3 2024. The MSW differential also narrowed to average US\$2.20 per barrel in Q3 2025 compared to US\$3.35 per barrel in Q3 2024.

North 40's realized crude oil price decreased 8% in the first nine months of 2025 to \$84.04 per barrel from \$91.00 per barrel realized in the comparable period of 2024. WTI benchmark prices were 14% lower averaging US\$66.70 per barrel in the first nine months of 2025 compared to US\$77.54 per barrel in same period in 2024. Lower WTI prices were partially offset by narrower average Canadian stream differentials and a weaker Canadian dollar.

Benchmark WTI prices weakened in the first nine months of 2025 compared to the same period in 2024. Heightened economic uncertainty with trade policy volatility, global supply growth and OPEC+'s decision to accelerate its planned reintroduction of voluntary production cuts have contributed to the decline in WTI benchmark prices. WCS differentials improved materially with the May 2024 successful start up of the TMX (Trans Mountain) pipeline expansion.

(\$ per mcf, before pipeline tariffs)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
AECO Daily (5A) index	\$0.63	\$0.69	\$1.83	\$1.46
Realized natural gas price	\$0.71	\$0.77	\$1.64	\$1.72

North 40's natural gas production is sold at the AECO daily 5A index, adjusted for delivery location and heat content, and realizes a slightly better price than the index due to its higher-than-standard heat content. North 40's realized price decreased 8% to average \$0.71 per mcf in Q3 2025 from \$0.77 per mcf in Q3 2024 and decreased 5% to average \$1.64 per mcf for the first nine months of 2025 from \$1.72 per mcf in the same period of 2024.

REVENUE

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Oil and liquids	\$27,202	\$24,761	\$89,836	\$74,636
Natural gas	689	436	6,468	3,878
Petroleum and natural gas revenue	\$27,891	\$25,197	\$96,304	\$78,514
% Oil and liquids	98	98	93	95

Note: Petroleum and natural gas revenue presented in the Statements of Income (Loss) and Comprehensive Income (Loss) is net of pipeline tariffs.

Revenue in Q3 2025 increased to \$27.9 million from \$25.2 million in Q3 2024. The increase is due to an increase in production volume of all products offset by a decrease in realized prices for all products. The increase in oil production had the most significant impact on the revenue increase.

Revenue for the nine months ended September 30 increased by 23% from \$78.5 million in 2024 to \$96.3 million in 2025. The increase is due to increased production volume for all products offset by lower realized prices for all products. The increase in oil production was predominately the reason for the increase in revenue.

Oil and liquids revenue represents 98% of total revenue in Q3 2025 and increased 10%, from \$24.8 million in Q3 2024 to \$27.2 million in Q3 2025. Crude oil realizations were 12% lower and oil production volumes were 20% higher in Q3 2025 compared to the same quarter last year.

Oil and liquids revenue represents 93% of total revenue in the first nine months of 2025 and increased 20%, from \$74.6 million in the first nine months of 2024 to \$89.8 million in the comparable period of 2025. Crude oil realizations were 8% lower and oil production volumes were 28% higher in the first nine months of 2025 compared to the same period last year.

Natural gas revenue increased 58% in Q3 2025 to \$0.7 million from \$0.4 million in Q3 2024. The increase is due to a 92% increase in production volume in Q3 2025 partially offset by an 8% decrease in price realizations compared to the same period in 2024.

Natural gas revenue increased 67% in the first nine months of 2025 from \$3.9 million in 2024 to \$6.5 million in 2025. The increase is due to an 80% increase in production volume partially offset by a 5% decrease in price realizations in the first nine months of 2025 compared to the same period in 2024.

Oil pipeline tariffs of \$0.9 million and \$3.2 million are included in revenue for the third quarter and the first nine months of 2025 respectively. This compares to \$0.8 million and \$2.6 million in the same periods of 2024. The custody transfer to the purchaser is at the point the oil is offloaded at the terminal. Gas pipeline tariffs of \$0.6 million and \$1.7 million are also included in revenue for the three months and nine months ended September 30, 2025, respectively. This compares to \$0.3 million and \$0.9 million in the same periods of 2024. The custody transfer to the purchaser is at the point the natural gas enters the receipt meter.

ROYALTIES

(thousands, except per unit amounts)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Royalties	\$5,640	\$5,812	\$19,370	\$16,951
Per BOE	\$8.40	\$13.00	\$9.68	\$12.62
% of Revenue	19%	22%	19%	21%

Royalties will fluctuate with commodity prices and production rates and are determined primarily by the terms of the mineral rights owner agreements and the Alberta provincial government royalty regime.

Royalties on a boe basis decreased to \$8.40 per boe and \$5.6 million in the third quarter of 2025 compared to \$13.00 per boe and \$5.8 million in the second quarter of 2024 commensurate with lower realized commodity prices and higher production volumes.

Royalties on a boe basis decreased to \$9.68 per boe and increased to \$19.4 million in the first nine months of 2025 compared to \$12.62 per boe and \$17.0 million in the same period of 2024 for the same reasons above.

Royalties as a percentage of revenue were 19% and 22% in the third quarters of 2025 and 2024. Royalties as a percentage of revenue decreased to 19% for the first nine months of 2025 compared to 21% for the first nine months of 2024.

The majority of the Company's royalties are freehold royalties and freehold mineral tax (which is included in royalties for financial reporting purposes). In 2025, the majority of the wells drilled were on crown lands.

OPERATING AND TRANSPORTATION

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Operating expenses	\$6,920	\$6,050	\$21,594	\$17,901
Per BOE	\$10.30	\$13.53	\$10.78	\$13.33
Transportation expenses	\$1,330	\$1,000	\$4,210	\$3,170
Per BOE	\$1.98	\$2.24	\$2.10	\$2.36

Operating expenses averaged \$10.30 and \$10.78 per boe for the third quarter and the first nine months of 2025, respectively compared to \$13.53 and \$13.33 per boe in the third quarter and first nine months of 2024. The decrease in both periods compared to the prior year is largely due to an increase in production volume as fixed costs are allocated over higher production volume.

Transportation costs, which are clean oil trucking expenses, averaged \$1.98 and \$2.10 per boe in the third quarter and the first nine months of 2025, respectively compared to \$2.24 and \$2.36 per boe in the third quarter and first nine months of 2024, respectively. The cost is incurred on oil production only. Oil production as a percentage of total production was lower in 2025 compared to 2024 which is the main contributor to the decrease in boe costs.

North 40's crude oil production may be sold in different sales streams in Alberta which may vary month to month depending on the netback at those different streams. As a result, there will be fluctuations in crude oil differentials and transportation costs as the Company seeks out the highest netback opportunity.

GENERAL AND ADMINISTRATIVE

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Gross G&A	\$1,409	\$1,066	\$4,674	\$3,145
Capitalized G&A	(96)	(85)	(285)	(261)
Net G&A	\$1,313	\$981	\$4,389	\$2,884
Per BOE	\$1.95	\$2.19	\$2.19	\$2.15

Net general and administrative ("G&A") expenses were \$1.3 million and \$4.4 million for the third quarter and first nine months of 2025 respectively compared to \$1.0 million and \$2.9 million in the comparable periods of 2024. The increase in G&A is mostly attributable to payments related to the termination of the Company's former Vice President Exploration in Q2 2025 and higher legal and consulting expenses mostly associated with asset transactions in both Q3 and for the first nine months of 2025.

On a boe basis, net G&A was \$1.95 and \$2.19 per boe in Q3 and for the first nine months of 2025 respectively compared to \$2.19 and \$2.15 per boe in same periods of 2024. The decrease in the per boe cost Q3 2025 compared to Q3 2024 is due to the impact of higher production volume partially offset by the impact of higher costs. The increase in the per boe amount for the first nine months of 2025 is due to higher G&A expenses in 2025 partially offset by higher production volume when compared to 2024.

Capitalized G&A relates to a portion of the Company's engineering compensation.

SHARE-BASED COMPENSATION

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Share-based compensation	\$87	\$290	\$441	\$865
Capitalized share-based compensation	(14)	(28)	(53)	(83)
	\$73	\$262	\$388	\$782
Per BOE	\$0.11	\$0.59	\$0.19	\$0.58

Share-based compensation expense is related to the issuance of Class B and C shares and the grants of options on Class B and C shares to directors, officers, employees, and consultants.

The decrease in share-based compensation in Q3 2025 and for the first nine months of 2025 compared to the same periods in 2024 is due to the additional expense associated with the 2023 term extension of the Class C shares and options being fully amortized in Q2 2025.

Detailed information regarding the Class B and Class C shares and options have been disclosed in Note 11 of the financial statements.

DEPLETION AND DEPRECIATION

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2024	2024
Depletion and depreciation	\$11,304	\$8,771	\$35,089	\$26,392
Per BOE	\$16.83	\$19.61	\$17.52	\$19.66

The Company recognized depletion and depreciation expense ("D&D") of \$11.3 million (\$16.83 per boe) and \$35.1 million (\$17.52 per boe) for the quarter and nine months ended September 30, 2025, respectively compared to \$8.8 million (\$19.61 per boe) and \$26.4 million (\$19.66 per BOE) in the same periods of 2024. The D&D expense was based on an internal evaluation of proved and probable reserves and an internal estimate of future development costs.

D&D expense increased in both Q3 and for the first nine months of 2025 compared to the same periods in 2024 largely due to higher production volume partially offset by a lower rate.

The D&D expense recognized was comprised primarily of depletion expense with minor amounts related to depreciation of office assets and field vehicles.

D&D per boe will differ from period to period depending on the amount and type of capital spending, the number of reserves added, and production volume. The Company uses total proved plus probable reserves as its depletion base in the calculation of depletion.

EXPLORATION EXPENSE

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2024	2024
Exploration expense	\$733	\$2,468	\$7,761	\$4,924
Per BOE	\$1.09	\$5.52	\$3.88	\$3.67

North 40 recognized exploration expense of \$0.7 million (\$1.09 per boe) in Q3 2025 and \$7.8 million (\$3.88 per boe) in the first nine months of 2025. The Q3 2025 expense was mostly related to undeveloped land expiries, most notably in Matziwin South. The expense of \$7.8 million in the first nine months is related to undeveloped land expiries and costs related to drilling two test wells in prior years.

North 40 recognized exploration expense of \$2.5 million (\$5.52 per boe) in Q3 2024 and \$4.9 million (\$3.67 per boe) in the first nine months of 2024 related to an unsuccessful test well at Tide Lake drilled in the first quarter and undeveloped land expiries.

IMPAIRMENT EXPENSE

<i>(thousands, except per unit amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Impairment expense	\$-	\$-	\$4,479	\$-
Per BOE	\$-	\$-	\$2.24	\$-

North 40 entered into a purchase and sale agreement on June 4, 2025 for the disposition of its non-core Entice assets for \$0.3 million in cash. As at June 30, 2025 the Company determined the closing was highly probable and reclassified the Entice assets to asset held for sale. Reclassification of the assets resulted in recognition of an impairment of \$4.5 million based on the consideration expected.

The transaction closed on July 30, 2025. As part of the disposition, North 40 reduced decommissioning obligations by \$0.2 million.

FINANCE EXPENSE

<i>(thousands)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Accretion of decommissioning obligations	\$130	\$65	\$384	\$195
Interest	171	-	363	28
Banking fees	1	39	115	149
Interest on lease liabilities	5	6	15	18
Total	\$307	\$110	\$877	\$390
Per BOE	\$0.46	\$0.25	\$0.44	\$0.29

Finance expense relates to accretion on decommissioning obligations, banking fees and interest on lease liabilities. Banking fees include standby fees and fees associated with the annual bank facility review. Accretion of decommissioning obligations and interest on lease liabilities are non-cash charges.

INCOME TAXES

<i>(thousands)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Current income tax expense	\$544	\$(324)	\$744	\$324
Deferred income tax expense (recovery)	(1,413)	1,266	(1,251)	1,106
Income taxes	\$(869)	\$942	\$(507)	\$1,430
Per boe	\$(1.29)	\$2.11	\$(0.25)	\$1.06

North 40 recognized a current income tax expense of \$0.5 million in Q3 2025 and \$0.7 million for the first nine months of 2025 compared to a recovery of \$0.3 million and an expense of \$0.3 million in the comparable periods of 2024 respectively.

Deferred income taxes arise from differences between the accounting and tax basis of assets and liabilities. The estimate of deferred taxes is based on the current tax status of the Company, enacted legislation, and management's best estimates of future events.

For the three and nine months ended September 30, 2025, a deferred income tax recovery of \$1.4 million and \$1.3 million, respectively, was recognized compared to a deferred income tax expense of \$1.3 million and \$1.1 million for the comparable periods in 2024.

The following tax pool balances are estimated at September 30, 2025:

<i>(thousands)</i>	Maximum Annual	September 30	September 30
	Deduction	2025	2024
Canadian oil and gas property expense (COGPE)	10%	\$3,744	\$14,848
Canadian development expense (CDE)	30%	73,512	58,296
Undepreciated capital cost (UCC)	25%	51,345	42,640
		\$128,601	\$115,784

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

<i>(thousands)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Net income (loss) and comprehensive income (loss)	\$1,141	\$(1,130)	\$(1,314)	\$3,907
Per share - basic	\$0.02	\$(0.02)	\$(0.02)	\$0.05
Per share - diluted	\$0.01	\$(0.02)	\$(0.02)	\$0.05

The increase in the net income for the three months ended September 30, 2025, as compared to the same period in 2024 is primarily due to an increase in petroleum and natural gas revenue, lower exploration and deferred income tax expenses partially offset by an increase in operating, general and administrative and depletion and depreciation, and current tax expenses.

The net loss for the nine months ended September 30, 2025, as compared to net income in the same period of 2024 is primarily due to an increases in exploration expense, impairment, depletion and depreciation, royalties, operating and transportation, general and administrative expenses partially offset by and increase in petroleum and natural gas revenue and the deferred income tax recovery.

CAPITAL EXPENDITURES

Capital expenditures by type and by property for the three and nine months ended September 30, 2025, and 2024 were as follows:

<i>(thousands)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Acquisitions	-	-	\$12,392	-
Land and lease rentals ⁽¹⁾	\$138	\$624	\$629	\$1,371
Seismic and geological	-	-	980	2,447
Drilling and completion	11,752	15,535	36,127	23,983
Equipping and tie-ins	2,875	3,013	12,945	9,148
Facilities	1,098	3,050	4,117	3,437
Office and other	80	93	283	193
Total capital expenditures	\$15,943	\$22,314	\$67,473	\$40,579

⁽¹⁾ Net of land fund reimbursements.

<i>(thousands)</i>	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Sheerness	\$11,234	\$11,513	\$58,506	\$17,564
Drumheller ⁽¹⁾	(515)	9,448	(136)	14,907
Wayne	5,367	399	8,573	1,586
Tide Lake	20	124	40	3,260
Matziwin	-	177	-	2,147
Other	(163)	652	490	1,115
Total capital expenditures	\$15,943	\$23,314	\$67,473	\$40,579

⁽¹⁾ Inventory transfers and accrual adjustments.

Wells drilled by property were as follows:

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Sheerness ⁽¹⁾	1	4	11	5
Wayne	2	-	3	-
Drumheller	-	3	-	4
Tide Lake	-	-	-	1
Total	3	7	14	10

⁽¹⁾ 1 well in Michichi (8 wells for the nine month period) and 0 wells in Aerial (3 wells for the nine month period) in Q3 2025. Includes a water disposal well in Michichi in Q2 2025.

Capital expenditures in Q3 2025 were \$15.9 million. Capital activity included the drilling of three wells, completion of four wells, recompletion of three wells acquired in the Aerial/Sheerness area, equipping of new wells and several well workovers.

Capital expenditures in the first nine months of 2025 were \$67.5 million and predominantly expended in the Sheerness area. The Company drilled 14 wells of which 11 were in Sheerness and 3 in Wayne. Other capital activities included construction of a water disposal facility at Michichi (Sheerness), commenced construction of an oil battery at Aerial (Sheerness), completion of a pipeline connecting Michichi natural gas production to a natural gas plant (50% working interest), acquisition of a 75% working interest in the Seiu Lake natural gas plant in the Drumheller area, several well workovers, and an acquisition of properties described below.

The Company acquired certain crude oil and natural gas properties with minimal current production for \$12.4 million of cash consideration in the first quarter of 2025. The property consists of approximately 8,300 hectares which has been developed by vertical wells identifying multi-zone potential in Aerial. The property includes a number of inactive and/or suspended wells and facilities. A reactivation and recompletion program began in Q3 2025. To fund this acquisition, the Company sold a royalty interest and an infrastructure volumetric payment on future production. Proceeds from the sale was \$12 million and is not included in the capital expenditure values disclosed above.

Capital expenditures in Q3 2024 were \$22.3 million. Capital activity included the drilling of seven wells and the fracking of four of those wells. North 40 also commenced construction of an oil battery in the Sheerness area.

For the first nine months of 2024 capital expenditures were \$40.6 million which included the drilling of ten wells. The majority of the capital was directed in Sheerness where \$17.6 million was spent. At Sheerness five wells were drilled, construction of an oil battery had commenced, and a 3D seismic shoot was completed. In Drumheller where \$14.9 million had been expended, four wells were drilled. Other activities included workovers at several wells, electrification of three Wayne battery sites as well as equipment purchases for future capital projects.

LAND

North 40's net land holdings per area at September 30, 2025 and 2024 were as follows:

<i>(acres)</i>	September 30, 2025	September 30 2024
Sheerness	140,342	119,951
Drumheller	52,826	55,241
Wayne	8,617	15,951
Tide Lake	26,427	28,326
Matziwin	11,071	24,066
Other	23,097	23,737
Total	262,380	267,272

The decrease in land holdings at September 30, 2025, compared to the same time last year is primarily due to undeveloped land expiries at Matziwin and Wayne partially offset by the acquisition of additional leases at Sheerness.

The land holdings consist of 79% crown and 21% freehold leases at September 30, 2025. Working interest in North 40's land holdings is 98 percent.

DECOMMISSIONING OBLIGATIONS

Decommissioning obligations are based on estimated costs and timing to abandon and reclaim ownership interests in oil and natural gas assets. North 40 has recognized a provision for decommissioning obligations of \$14.3 million at September 30, 2025 (\$9.1 million at December 31, 2024). The increase in decommissioning obligations is largely due to obligations associated with properties acquired.

Estimated abandonment and reclamation costs are based on the directives issued by the Alberta Energy Regulator and management experience. The decommissioning obligation is measured using the estimated present value of costs to abandon and reclaim all ownership interests. A risk-free rate of 3.67% (3.35% at December 31, 2024) and an inflation rate of 2.00% (2.00% at December 31, 2024) were used to calculate the best estimate of the decommissioning obligation.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2025, the Company had a working capital deficiency of \$17.1 million which includes \$10.0 million of bank debt. All activities to date have been funded with proceeds from the Company's initial equity financing, cash flow from operations, land fund reimbursements, working capital, sales of royalty interests and volumetric payments, interest income on cash balances, and bank debt.

At September 30, 2025, the Company had a \$45.0 million revolving demand operating facility with a Canadian chartered bank. The facility bears interest based on the prime rate or Canadian Overnight Repo Rate Average ("CORRA") rates plus a margin. Interest rates applicable to draws and standby fees are based on a pricing margin grid and will change as a result of the ratio of net debt to cash flow as calculated in accordance with the credit facility agreement. Standby fees on undrawn amounts are currently 0.50%.

The Company has a letter of credit outstanding for \$0.1 million at September 30, 2025 that reduces the amount otherwise available to be drawn on the operating facility.

The facility includes a financial covenant that requires the "Adjusted Working Capital" ratio (as defined in the credit agreement, with undrawn capacity under the facility included in the definition of current assets) be not less than 1.0 at each fiscal quarter end. The Company was in compliance with this covenant at September 30, 2025. Advances under the facility are secured by a first floating charge debenture and borrowings under the facility may be made by way of prime loans and CORRA loans. The credit facility is subject to periodic review at the lenders' discretion. The next review date has been set for November 30, 2025.

At the date of writing, the review has been completed with no changes to significant items. The next review date has been set for May 31, 2026.

The Company has entered into a Royalty Acquisition Agreement (the "agreement") with an arm's length party (the "party") whereby the party will fund certain crown land purchases incurred by the Company in exchange for a royalty on future production from those crown lands. The term of the agreement is to October 31, 2026. At September 30, 2025, there is \$2.3 million remaining on the funding limit.

SELECTED QUARTERLY INFORMATION

Three Months Ended	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31
	2025	2025	2025	2024	2024	2024	2024	2023
FINANCIAL								
Petroleum and natural gas revenue	\$27,891	\$29,818	\$38,595	\$30,591	\$25,197	\$26,057	\$27,260	\$34,594
Funds flow from operations ⁽¹⁾	\$11,968	\$13,126	\$20,442	\$14,712	\$11,702	\$12,555	\$13,049	\$17,289
Per share – basic	\$0.15	\$0.17	\$0.27	\$0.19	\$0.15	\$0.16	\$0.17	\$0.23
Per share – diluted	\$0.14	\$0.15	\$0.25	\$0.18	\$0.14	\$0.15	\$0.16	\$0.21
Net income (loss)	\$1,141	\$(8,210)	\$5,756	\$3,494	\$(1,130)	\$4,244	\$793	\$ 945
Per share – basic	\$0.02	\$(0.11)	\$0.08	\$0.05	\$(0.02)	\$0.06	\$0.01	\$0.01
Per share – diluted	\$0.01	\$(0.11)	\$0.07	\$0.04	\$(0.02)	\$0.05	\$0.01	\$0.01
Capital expenditures ⁽²⁾	\$15,943	\$16,553	\$34,977	\$27,847	\$22,314	\$3,554	\$14,711	\$21,512
Working capital surplus (deficiency) at end of period ⁽³⁾	\$(17,099)	\$(12,829)	\$(9,708)	\$(8,365)	\$(10,757)	\$1,086	\$(7,807)	\$(6,114)
Common shares outstanding end of period	77,612	77,612	76,624	76,624	76,624	76,624	76,624	76,624
OPERATING								
Sales volumes								
Oil and liquids (bbls/day)	4,054	4,135	4,754	3,809	3,169	3,034	3,465	4,076
Natural gas (mcf/day)	19,485	18,662	16,231	12,498	10,150	8,413	11,642	14,052
Total (boe/day) ⁽⁴⁾	7,301	7,245	7,459	5,892	4,860	4,436	5,405	6,418
% Oil and liquids	56	57	64	65	65	68	64	64
Commodity prices realized (before pipeline tariffs)								
Oil and liquids (\$/bbl)	75.34	74.94	85.83	85.33	87.55	94.73	81.14	87.40
Natural gas (\$/mcf)	0.71	1.91	2.47	1.73	0.77	1.33	2.84	2.54
Total (\$/boe)	43.73	47.69	60.07	58.84	58.69	67.31	58.14	61.08
Operating netback ⁽⁵⁾ (\$/boe)	20.84	23.07	32.63	30.12	27.59	34.25	29.12	30.74
Funds flow from operations netback (\$/boe) ⁽¹⁾	17.82	19.91	29.87	27.14	26.17	31.10	26.53	29.28
Net wells drilled	3.0	5.0	6.0	4.0	7.0	-	3.0	4.0
Net acres of land at end of period	262,380	266,003	285,113	265,397	267,272	283,585	298,158	285,480

⁽¹⁾ Funds flow from operations and funds flow from operations netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

⁽²⁾ Capital expenditures does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

⁽³⁾ Working capital surplus (deficiency) does not have a standardized measure prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

⁽⁴⁾ Boe conversion is 6:1.

⁽⁵⁾ Operating netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS Measurements section of the MD&A.

NORTH 40

RESOURCES LTD.

**Quarterly Condensed Interim Financial Statements
as at and for the period ended September 30, 2025**

North 40 Resources Ltd.

Interim Statements of Financial Position

(unaudited)	September 30	December 31
As at	2025	2024
<i>(\$ thousands)</i>		
ASSETS		
Current Assets		
Cash	1,222	5,710
Accounts receivable	11,089	13,261
Current income taxes (Note 9)	214	959
Prepays and deposits	1,501	839
Total Current Assets	14,026	20,769
Deposit on asset acquisition bid (Note 5)	-	1,200
Exploration and evaluation assets (Note 4,5 and 6)	16,748	15,927
Property, plant and equipment (Note 5,6, and 7)	198,117	185,931
Total Assets	228,891	223,827
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	21,125	29,134
Bank debt (Note 8)	10,000	-
Total Current Liabilities	31,125	29,134
Lease liabilities	187	184
Decommissioning obligations (Note 10)	14,308	9,115
Deferred income taxes	17,409	18,659
Total Liabilities	63,029	57,092
Shareholders' Equity		
Share capital (Note 11)	77,025	76,245
Contributed surplus	5,467	5,806
Retained earnings	83,370	84,684
Total Shareholders' Equity	165,862	166,735
Total Liabilities and Shareholders' Equity	228,891	223,827

Subsequent Events (Notes 8 and 17)

The accompanying notes are an integral part of these Financial Statements.

North 40 Resources Ltd.

Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)

(unaudited)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
<i>(\$ thousands except per share amounts)</i>				
Revenue				
Petroleum and natural gas revenue (Note 12)	27,891	25,197	96,304	78,514
Less: Royalties	5,640	5,812	19,370	16,951
	22,251	19,385	76,934	61,563
Interest income	2	69	32	217
	22,253	19,454	76,966	61,780
Expenses				
Operating	6,920	6,050	21,594	17,901
Transportation	1,330	1,000	4,210	3,170
General and administrative	1,313	981	4,389	2,884
Share-based compensation (Note 11)	73	262	388	782
Depletion and depreciation (Notes 7)	11,304	8,771	35,089	26,392
Exploration expense (Note 4)	733	2,468	7,761	4,924
Impairment expense (Note 6)	-	-	4,479	-
Finance expense	307	110	877	390
Total expenses	21,980	19,642	78,787	56,443
Income (loss) before taxes	273	(188)	(1,821)	5,337
Current income tax expense	544	(324)	744	324
Deferred income tax (recovery) expense	(1,412)	1,266	(1,251)	1,106
Net Income (Loss) and Comprehensive Income (Loss)	1,141	(1,130)	(1,314)	3,907
Net Income (loss) per share (Note 13)				
Basic	\$0.02	\$(0.02)	\$(0.02)	\$0.05
Diluted	\$0.01	\$(0.02)	\$(0.02)	\$0.05

The accompanying notes are an integral part of these Financial Statements.

North 40 Resources Ltd.
Statements of Changes in Equity

(unaudited)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<i>(\$ thousands)</i>				
Balance as at December 31, 2023	76,245	4,661	77,282	158,188
Net income	-	-	3,907	3,907
Share based compensation (Note 11)	-	865	-	865
Balance as at September 30, 2024	76,245	5,526	81,189	162,960
Balance as at December 31, 2024	76,245	5,806	84,684	166,735
Net loss	-	-	(1,314)	(1,314)
Transferred on conversion of Class B's and C's	780	(780)	-	-
Share-based compensation (Note 11)	-	441	-	441
Balance as at September 30, 2025	77,025	5,467	83,370	165,862

The accompanying notes are an integral part of these Financial Statements.

North 40 Resources Ltd.

Statements of Cash Flow

(unaudited)

Three months ended
September 30

Nine months ended
September 30

2025

2023

2025

2024

(\$ thousands)

Cash provided by (used in):

Operating activities

Net income (loss) for the period	1,141	(1,130)	(1,314)	3,907
Adjusted for:				
Depletion and depreciation (Note 7)	11,304	8,771	35,089	26,392
Exploration expense (Note 4)	733	2,468	7,761	4,924
Impairment expense (Note 6)	-	-	4,479	-
Accretion expense (Note 10)	130	65	384	195
Share-based compensation (Note 11)	73	262	387	782
Deferred income tax expense	(1,413)	1,266	(1,251)	1,106
	11,968	11,702	45,535	37,306
Decommissioning expenditures (Note 10)	-	-	-	(78)
Net change in non-cash working capital (Note 14)	2,263	811	2,781	(3,471)
	14,231	12,513	48,316	33,757

Financing activities

Increase in bank debt (Note 8)	8,221	-	10,000	-
Repayment of lease liabilities	6	(30)	4	(90)
	8,227	(30)	10,004	(90)

Investing activities

Deposit paid on acquisition (Note 5)	-	-	1,200	-
Exploration and evaluation expenditures (Note 4)	(1,988)	(4,596)	(6,199)	(10,572)
Property, plant and equipment expenditures (Note 7)	(13,955)	(17,718)	(48,882)	(30,007)
Acquisition (Note 5)	-	-	(12,392)	-
Proceeds from dispositions (Notes 4,6 and 7)	-	-	12,000	-
Net change in non-cash working capital (Note 14)	(5,293)	10,719	(8,535)	5,304
	(21,236)	(12,795)	(62,808)	(36,475)

Change in cash and cash equivalents	1,222	(312)	(4,488)	(2,808)
Cash and cash equivalents, beginning of period	-	5,540	5,710	8,036
Cash and cash equivalents, end of period	1,222	5,228	1,222	5,228

Cash income tax paid	-	-	-	473
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The accompanying notes are an integral part of these Financial Statements.

North 40 Resources Ltd.

Notes to the Financial Statements

As at September 30, 2025 and December 31, 2024, and for the three and nine months ended September 30, 2025 and 2024 (all tabular amounts in thousands of Canadian \$, except per share amounts or as otherwise indicated)

1. CORPORATE INFORMATION

North 40 Resources Ltd. (the “Company” or “North 40”), is a privately held oil and gas exploration and development company incorporated in the province of Alberta, Canada on October 16, 2007. The Company was not active until April 2016. The address of the principal place of business is 400, 215 – 9th Avenue SW, Calgary, Alberta, Canada T2P 1K3.

The Company explores, acquires, develops, and produces oil and natural gas reserves in the Western Canadian Sedimentary Basin.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim financial statements have been prepared by management in accordance with IAS 34 “Interim Financial Reporting” under accounting principles consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). They are condensed as they do not include all of the information required for full annual consolidated financial statements, and they should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2024.

These financial statements have been prepared using the accounting policies and methods as described in Note 3 below.

These financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2025.

3. MATERIAL ACCOUNTING POLICIES

All accounting policies followed in preparation of these financial statements are consistent with those of the previous financial year. The Company’s material accounting policies are disclosed in Note 3 of the financial statements for the year ended December 31, 2024.

4. EXPLORATION AND EVALUATION ASSETS

(\$)	September 30 2025	December 31 2024
Balance, beginning of period	15,927	19,275
Acquisitions (Note 5)	14,350	-
Additions	6,199	10,744
Dispositions (Note 6)	(11,274)	(4,956)
Exploration expense	(7,761)	(4,970)
Transferred to property and equipment (Note 7)	(693)	(4,166)
Balance, end of period	16,748	15,927

Exploration and evaluation (“E&E”) assets consist of the Company’s undeveloped land, geological and geophysical assets and exploration drilling projects in which technical feasibility or commercial viability has yet to be determined.

Exploration expense in 2025 relates to undeveloped land expiries and costs related to drilling two test evaluation wells in prior years.

5. ACQUISITIONS

2025

On January 13, 2025, the Company completed the acquisition of certain crude oil and natural gas properties in Sheerness (Aerial), primarily inactive wells and related infrastructure, with minimal current production for cash consideration of \$12.4 million. The effective date of the acquisition was January 13, 2025. The acquisition has been accounted for as an asset acquisition as the acquired assets did not meet the definition of a business.

The following purchase price allocation was based on the asset acquired and the liabilities assumed:

(\$)	As at January 13, 2025
<u>Net assets (liabilities) acquired</u>	
Exploration and evaluation assets	14,350
Property, plant & equipment	3,839
Decommissioning obligations	(5,797)
<u>Net assets acquired</u>	<u>12,392</u>
Consideration	
Cash	12,392
<u>Total consideration</u>	<u>12,392</u>

A deposit of \$1.2 million was paid in 2024 in connection with this acquisition.

2024

On December 19, 2024, the Company closed an acquisition of a 50% working interest in a natural gas plant and related infrastructure in Sheerness (Michichi). As consideration for the assets, the Company paid \$6.3 million cash and a 50% working interest in a segment of a pipeline. The Company incurred transaction costs of \$0.1 million which were capitalized to property, plant and equipment.

The Company assessed the transaction using the concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. The purchase price was allocated as follows:

(\$)	
<u>Net assets (liabilities) acquired</u>	
Property, plant & equipment	7,582
Decommissioning obligations	(146)
<u>Net assets acquired</u>	<u>7,436</u>
Consideration	
Cash	6,250
Interest in a pipeline	1,050
Transaction costs	136
<u>Total consideration and transaction costs</u>	<u>7,436</u>

6. DISPOSITIONS

2025

North 40 entered into a purchase and sale agreement on June 4, 2025 for the disposition of its non-core Entice assets for \$0.3 million in cash. In Q2 2025 the Company determined the closing was highly probable and reclassified the Entice assets to asset held for sale. Reclassification of the assets resulted in recognition of an impairment of \$4.5 million based on the sales price. The transaction closed on July 30, 2025.

In Q1 2025, the Company sold a royalty interest and infrastructure volume payment on future production from certain lands in Sheerness (Aerial) included in the acquisition described in Note 5. Proceeds from the sale were \$12.0 million and were allocated to E&E assets (\$11.3 million) and to property plant and equipment (\$0.7 million). There was no gain or loss recognized on the disposition.

Persons related to two directors purchased a portion of these interests for proceeds totalling \$6.0 million. An arm's length third party purchased the remainder of these interests.

2024

In Q4 2024, the Company sold a royalty interest and an infrastructure volumetric payment on current and future production from certain lands in Sheerness (Michichi) area.

In this area, the Company purchased a 50% interest in a natural gas plant as described in Note 5, constructed an oil battery and began construction on a natural gas pipeline to connect the oil battery to the natural gas plant. Production volume processed at the infrastructure described are subject to the infrastructure volumetric payment.

Proceeds from the sale were \$15.6 million and were allocated to E&E assets (\$5.0 million) and to property plant and equipment (\$10.6 million). There was no gain or loss recognized on the disposition.

Two of the Company's directors and persons related to those directors purchased a portion of these interests for proceeds totalling \$7.8 million. An arm's length third party purchased the remainder of these interests.

7. PROPERTY AND EQUIPMENT

(\$)	September 30 2025	December 31 2024
Property and equipment, at cost	398,715	346,933
Accumulated depletion and depreciation	(200,598)	(161,002)
Net book value, end of period	198,117	185,931
Cost, beginning of period	346,933	294,109
Accumulated depletion and depreciation, beginning of period	(161,002)	(124,727)
Net book value, beginning of period	185,931	169,382
Additions	48,898	50,500
Acquisitions (Note 5)	3,839	7,582
Right-of-use assets	-	188
Dispositions (Note 6)	(726)	(10,593)
Transferred from exploration and evaluation assets	693	4,166
Changes in decommissioning obligations	(950)	981
Depletion and depreciation	(35,089)	(36,275)
Impairment (Note 6)	(4,479)	-
Net book value, end of period	198,117	185,931

Included in the calculation of depletion was an estimate for future development costs of \$103.1 million at September 30, 2025 (\$105.6 million at December 31, 2024). An estimated future salvage value of \$11.4 million was excluded from the calculation of depletion at June 30, 2025 (\$9.3 million at December 31, 2024).

Included in additions is capitalized general and administrative expenses of \$0.3 million (\$0.2 million at December 31, 2024).

Included in the September 30, 2025 property, plant and equipment balance is the right-of-use asset of \$0.2 million (\$0.2 million at December 31, 2024).

At September 30, 2025 and December 31, 2024, there were no indicators of impairment identified and an impairment test was not performed.

8. CREDIT FACILITY

At September 30, 2025, the Company had a \$45.0 million revolving demand operating facility with a Canadian chartered bank. The facility bears interest based on the prime rate or Canadian Overnight Repo Rate Average ("CORRA") rates plus a margin. Interest rates applicable to draws and standby fees are based on a pricing margin grid and will change as a result of the ratio of net debt to cash flow as calculated in accordance with the credit facility agreement. Standby fees on undrawn amounts are currently 0.50%. The Company has a letter of credit outstanding for \$0.1 million at September 30, 2025 that reduces the amount otherwise available to be drawn on the operating facility.

The facility includes a financial covenant that requires the "Adjusted Working Capital" ratio (as defined in the credit agreement, with undrawn capacity under the facility included in the definition of current assets) be not less than 1.0 at each fiscal quarter end. The Company was in compliance with this covenant at September 30, 2025. Advances under the facility are secured by a first floating charge debenture and borrowings under the facility may be made by way of prime loans and CORRA loans. The credit facility is subject to periodic review at the lenders' discretion. The next review date has been set for November 30, 2025.

At September 30, 2025, the Company has \$10 million (nil at December 31, 2024) drawn on the facility.

At the date of writing, the review has been completed with no changes to significant items. The next review date has been set for May 31, 2026.

9. CURRENT INCOME TAXES

	September 30	December 31
(\$)	2025	2024
Balance, beginning of period	(959)	(487)
Current income tax expense	744	443
Payments ⁽¹⁾	-	(960)
Balance, end of period	(214)	(959)

⁽¹⁾ Includes instalments.

10. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its responsibility to abandon and reclaim its net ownership interests in oil and natural gas assets including well sites, gathering systems and facilities. The Company estimates the total inflation adjusted and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$42.2 million (\$30.2 million at December 31, 2024).

A reconciliation of the decommissioning obligations is provided below.

	September 30	December 31
(\$)	2025	2024
Balance, beginning of year	9,115	7,644
Obligations incurred	863	1,392
Obligations acquired (Note 5)	5,797	146
Change in estimates	(1,651)	(260)
Decommissioning expenditures	-	(78)
Obligations disposed	(200)	-
Accretion expense	384	271
Balance, end of year	14,308	9,115
Key assumptions		
Risk free rate	3.67%	3.35%
Inflation rate	2.00%	2.00%

11. SHARE CAPITAL

Authorized

Unlimited number of common voting shares ("common shares") without nominal or par value

Unlimited number of Class B common non-voting shares ("Class B") without nominal or par value

Unlimited number of Class C common non-voting shares ("Class C") without nominal or par value

Issued and Outstanding	September 30		December 31	
	Number	Amount	Number	Amount
Common Shares				
Balance, beginning of period	76,624	\$76,093	76,624	\$76,093
Issued on conversion of Class B's and C's	988	803	-	-
Balance, end of period	77,612	\$76,896	76,624	\$76,093
Class B Common Non-Voting Shares				
Balance, beginning of period	4,870	\$49	4,870	\$49
Converted to common shares	(1,000)	(10)	-	-
Balance, end of period	3,870	\$39	4,870	\$49
Class C Common Non-Voting Shares				
Balance, beginning of period	10,380	\$103	10,380	\$103
Converted to common shares	(650)	(7)	-	-
Forfeited	(650)	(6)	-	-
Balance, end of period	9,080	\$90	10,380	\$103
Total		\$77,025		\$76,245

Common Shares

Common shares are subject to the provisions and terms contained in Schedule A of the Company's Articles of Incorporation and to the provisions and terms of the respective share subscription agreements among the Company and its shareholders.

Class B Shares and Options on Class B Shares

Class B shares and options on Class B shares have been reserved for issue to directors, officers, employees, and consultants of the Company. The aggregate number of Class B shares and options issued may not exceed 10% of the issued and outstanding common shares of the Company

Class B shares are convertible to common shares of the Company until expiry in September 2026 at an exercise price of \$1.00 per share. One third of the Class B shares purchased and options granted will vest equally on each of the second, third and fourth anniversary of the issue date. At September 30, 2025, 3,870,000 Class B shares and 1,183,083 options were vested (4,870,000 and 767,750 respectively at September 30, 2024).

The number and weighted average exercise price of the options on Class B shares are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2024	1,732,000	\$0.77
Granted	565,000	1.00
Balance, December 31, 2024	2,297,000	\$0.83
Granted	245,000	1.40
Exercised	(258,333)	(0.85)
Forfeited	(111,667)	(1.05)
Balance, September 30, 2025	2,172,000	\$0.79

The fair market value of each Class B option granted in 2025 was estimated on the date of issue using the Black-Scholes pricing model and the following assumptions in the calculations:

Risk-free interest rate (%)	2.90
Expected life (years)	2.0- 3.0
Estimated volatility of underlying common shares (%)	60
Share Price (\$)	2.40
Estimated forfeiture rate (%)	nil

The Company recognized share-based compensation expense of \$56,080 and \$202,331 related to the Class B shares and options for the three and nine months ended September 30, 2025 (\$91,162 and \$271,504 for the three and nine months ended September 30, 2024) and capitalized \$9,251 and \$25,482 (\$8,233 and \$24,519 for the quarter and nine months ended September 30, 2024).

During the period, 1,000,000 Class B shares and 258,333 options on Class B shares were converted to common shares through a cashless exercise.

Class C Shares and Options on Class C Shares

Class C shares and options on Class C shares have been reserved for issue to directors, officers, employees, and consultants of the Company. The aggregate number of Class C shares and options issued may not exceed 20% of the issued and outstanding common shares of the Company.

Class C shares are convertible to common shares of the Company if a liquidity event occurs before September 2026 at certain minimum price thresholds per share. A liquidity event includes the sale of all or substantially all of the common shares of the Company or assets for consideration that includes cash and/or securities, the liquidation of the Company, or any listing of the Company on a recognized exchange. The Class C shares were issued with various minimum price vesting and exercise price thresholds.

A summary of the number of Class C shares (assuming exercise of options on Class C shares) that vest and are convertible upon achieving price thresholds and at various exercise prices is as follows:

Number of Class C Shares Convertible	Liquidity Event Price Per Fully Diluted Share	Conversion Price Per Share
2,162,333	\$1.50	\$1.00
2,162,333	\$2.00	\$1.15
2,162,333	\$2.25	\$1.30
2,162,333	\$2.50	\$1.45
2,162,333	\$2.75	\$1.60
2,162,333	\$3.00	\$1.75

The number and weighted average exercise price of the options on Class C shares are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2024	3,074,000	\$0.77
Granted	825,000	1.00
Balance, December 31, 2024	3,899,000	\$0.77
Granted	485,000	1.40
Exercised	(135,832)	(0.64)
Forfeited	(354,168)	(0.90)
Balance, September 30, 2025	3,894,000	\$0.78

The fair market value of each Class C option granted in 2025 was estimated on the date of issue using the Black-Scholes pricing model and the following assumptions in the calculations:

Risk-free interest rate (%)	2.90
Expected life (years)	2.5
Estimated volatility of underlying common shares (%)	60
Share Price (\$)	2.40
Estimated forfeiture rate (%)	nil

In addition, the Company assumed the probability of a liquidity event within the term to be 25% and the probability of achieving the price thresholds disclosed in the table above to be 95%, 90%, 90%, 85%, 85% and 80%, respectively.

The Company recognized share-based compensation expense of \$26,560 and \$185,369 related to the Class C shares and options for the three and nine months ended September 30, 2025 (\$171,279 and \$510,833 for the three and nine months ended September 30, 2024) and capitalized \$5,006 and \$28,022 (\$19,799 and \$58,967 for the three and nine months ended September 30, 2024).

During the period, 650,000 Class B shares and 135,832 options on Class C shares were converted to common shares through a cashless exercise.

12. REVENUES

The Company produces crude oil, natural gas, and natural gas liquids from its assets in Alberta. The Company sells its production pursuant to variable-price physical delivery contracts. The transaction price for variable-price contracts is based on a benchmark commodity price, adjusted for quality, location and/or other factors whereby each component of the pricing component is fixed or variable, depending on the contract terms. Under the contracts, the Company is required to deliver fixed or variable quantities of crude oil, natural gas, and natural gas liquids to the contract counterparty.

Petroleum and natural gas revenue is recognized when control is transferred from North 40 to its customers which is typically when the product enters the terminal or pipeline. Revenue is measured based on the consideration specified in a contract with the customer and the volumes delivered. North 40's revenue was generated in Alberta and sold to customers in the oil and natural gas business subject to normal credit terms and under customary industry sale and payment terms at monthly market prices. Contract terms are one year or less. Crude oil and natural gas revenues are collected on or about the 25th day of the month following production.

(\$)	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Crude oil revenues	24,558	23,187	82,512	70,244
Natural gas revenues	689	436	6,468	3,878
Natural gas liquids revenues	2,644	1,574	7,324	4,392
Total	27,891	25,197	96,304	78,514

13. NET INCOME (LOSS) PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Net Income (loss) per share				
Basic	\$0.02	\$(0.02)	\$(0.02)	\$0.05
Diluted	\$0.01	\$(0.02)	\$(0.02)	\$0.05
Weighted average shares outstanding				
Basic	77,612	76,624	76,965	76,624
Diluted	86,399	83,956	84,466	82,876

14. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of the following:

(\$)	September 30 2025	September 30 2024
Source / (use) of cash:		
Accounts receivable	2,172	3,323
Prepaid expenses and deposits	(662)	(457)
Accounts payable and accrued liabilities	(8,009)	(897)
Current income taxes	744	(134)
Change in non-cash working capital	(5,755)	1,833
Related to:		
Operating activities	2,780	(3,471)
Investing activities	(8,535)	5,304

15. COMMITMENTS

(\$)	Within 1 year	After 1 year but not more than 5 years	Total
Firm transportation – natural gas	269	224	493
Office lease	185	487	672
Total	454	711	1,165

16. RELATED PARTIES

In 2025, the Company sold a royalty interest and an infrastructure volumetric payment on future production on certain lands in the Sheerness area for proceeds of \$12.0 million. Persons related to two directors purchased a portion of these interests for proceeds totalling \$6.0 million. An arm's length third party purchased the remainder of these interests.

In 2024, the Company sold a royalty interest and an infrastructure volumetric payment on current and future production on certain lands in the Sheerness area for proceeds of \$15.6 million. Two of the Company's directors and persons related to those directors purchased a portion of these interests for proceeds totalling \$7.8 million. An arm's length third party purchased the remainder of these interests.

In 2024, the Company purchased mineral rights on a section of undeveloped land from a third party. Two directors and an arm's length third party funded the purchase in exchange for a royalty on future production from the land.

17. SUBSEQUENT EVENT

On November 20, 2025, the Company closed the purchase of oil and natural gas assets and related infrastructure in the Sheerness area for \$15 million, subject to customary adjustments. The infrastructure includes the remaining 50% working interest in the natural gas plant and related infrastructure described in Note 5.

The Company sold a royalty interest and an infrastructure volumetric payment on current and future production on the acquired lands for \$15 million. One of the Company's directors and persons related to that director purchased a portion of these interests for proceeds totaling \$5.6 million. An arm's length third party purchased the remainder of these interests.

18. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to deploy capital to provide an appropriate return on shareholder investment and to maintain financial flexibility to execute on strategic opportunities and meet financial obligations. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of its underlying oil and natural gas assets.

The Company has entered into a Royalty Acquisition Agreement (the "agreement") with an arm's length party (the "party") whereby the party will fund certain crown land purchases incurred by the Company in exchange for a royalty on future production from those crown lands. The term of the agreement is to October 31, 2026. The agreement includes a funding limit of \$17 million, which may be increased at the sole discretion of the party. At September 30, 2025, there is \$2.3 million remaining on the funding limit.

The Company considers its capital structure to include shareholder's equity, the bank credit facility and working capital. In order to maintain or adjust the capital structure, the Company may from time-to-time issue new shares, draw on the bank credit facility and/or adjust its capital spending.

19. FINANCIAL RISK MANAGEMENT

Credit risk

The Company may be exposed to certain losses in the event that counterparties fail to meet their obligations in accordance with agreed terms. The Company mitigates this risk by entering into transactions with highly rated major financial institutions and by routinely assessing the financial strength of its customers.

At September 30, 2025, and December 31, 2024, financial assets on the statement of financial position are comprised of cash and cash equivalents and trade and other receivables and the maximum credit risk associated with these financial instruments is the total carrying amount of these financial assets.

Cash equivalents include short-term deposits placed with financial institutions with strong investment grade ratings.

Accounts receivable for crude oil and natural gas sales are collected on or about the 25th day of the month following production. At September 30, 2025, 98% of the accounts receivable amount relates to production revenue (96% at December 31, 2024).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company utilizes authorizations for expenditures on both operated and non-operated projects to manage capital expenditures.

The Company's financial liabilities on the statement of financial position consist of trade and other payables.

The Company expects to satisfy obligations under trade and other payables in less than one year.

The Company has a \$45.0 million revolving demand operating facility with a Canadian chartered bank.

Market risk

Market risk is comprised of currency risk, interest rate risk and commodity price risks which consist primarily of fluctuations in petroleum and natural gas prices. The valuation of the financial assets and liabilities on the statement of financial position as at September 30, 2025, and December 31, 2024, has not been significantly impacted by changes in currency rates. Currency rates influence petroleum and natural gas prices; however, this influence on commodity prices and the resulting impact on financial assets and liabilities cannot be accurately quantified.

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact any bank interest earned/indebtedness that has a floating interest rate, potentially affecting future cash flows. As a means to mitigating exposure to interest rate risk, the Company has the ability to enter into interest rate swap agreements.

Commodity price risk

The Company may be exposed to commodity price risk arising from the effect that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities.

Corporate Information

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Kim Schoenroth
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Financial Officer*

Gerald Aleman
Vice President, Production

Calvin House
*Vice President, Land and Business
Development*

Preston Kraft
Vice President, Operations

Dermot O'Connor
Vice President, Exploration

Lonny Tetley
Corporate Secretary

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Clayton Woitas
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