**NORTH 40**
**RESOURCES LTD.**

June 3, 2026

**PRESIDENT'S MESSAGE**

North 40 Resources Ltd. is pleased to report its operating and financial results for the three months ended March 31, 2026.

**Highlights for this period include:**

- Realized Q1 2026 average quarterly production of 6,934 boe per day (51% oil and liquids), a decrease from 7,001 boe per day in Q4 2025 (55% oil and liquids). Contributing to this decrease was fewer wells were drilled and brought on production in Q1 2026.

  Executed a $23.1 million capital program in Q1 2026, investing in four horizontal oil wells in the Sheerness project area consisting of one 2-mile development horizontal well at Wayne, two appraisal wells at Aerial West and one exploration well at Michichi North. Aerial West and Michichi North are part of the Company's Sheerness area.

- Generated operating netback of $21.92 per boe.

- Realized operating expenses per boe of $13.74 for Q1 2026.

- The consolidation of the 100% North 40 operated infrastructure which commenced in Q1 2026 was completed in May 2026. After the completion of the reroute natural gas production delivered to North 40 Rowley 04-09 gas plant increased to approximately 8.5 MMcf per day. Natural gas liquids continue to be trucked to North 40 operated Seiu Lake 14-12-026-19 W4 gas processing facility. As a result, operating netbacks are expected to increase by about $1.4 million annually based on current production.

**Q1 2026**

In Q1 2026 North 40 drilled a total of four wells which were comprised of one two-mile development horizontal Ellerslie well at Wayne, two horizontal appraisal Ellerslie wells at Aerial West and a horizontal Ellerslie exploration well at Michichi North.

The Wayne and Aerial West wells are on production, and the Michichi North exploration horizontal Ellerslie well encountered excellent reservoir but encountered drilling issues and was abandoned.

**Q2 to Q4 2026**

On May 30, 2026, North 40's drilling program commenced and North 40 spud an appraisal well at Matziwin South targeting Glauconitic light oil potential. The well will be a six-leg multilateral well design.

This Matziwin South prospect initially implemented horizontal wells with multistage fracs. North 40 believes the new multilateral development will realize an increase in both initial production rate and recoverable reserves while decreasing the capital cost per well.

At Aerial West two Ellerslie horizontal wells are currently licensed, which are comprised of one development and one appraisal well.

A second two-mile Ellerslie horizontal development well will be drilled at Wayne adjacent to the two-mile Ellerslie horizontal well drilled in Q1 2026.

Phase one of our recompletion program is underway which will consist of the recompletion of eight vertical wells for mid Mannville targets. All wells are equipped and tied in for low-cost production additions.

An additional twenty-five recompletion opportunities have been identified targeting mid-Mannville channels that may result in horizontal drilling opportunities.

**Outlook**

The Board of Directors has approved an increase in our 2026 capital budget from $69 million dollars to $84 million, net of third-party funding proceeds.
In 2026, North 40 expects to drill a total of 18 wells, a combination of development and appraisal drilling.

We expect our Q4 2026 forecasted production volumes to average 8,800 boe per day (55% oil and liquids) and bank debt of $31 million.

Current North 40 production is approximately 6,200 boe per day with oil and liquids representing 55% of production.

As always, we appreciate and thank you for your support. Please feel free to contact me 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 June 3, 2026 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, 2025 and the unaudited condensed interim financial statements for the three months ended March 31, 2026, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("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.*

*<u>Funds flow from operations</u>*

*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 operating activities, which is the most directly comparable measure calculated in accordance with IFRS.*

| | Three Months ended March 31 | |
|---|---|---|
| *(thousands)* | *2026* | *2025* |
| *Cash provided by operating activities* | *$9,795* | *$20,618* |
| *Plus: (Less): Net change in non-cash working capital* | *2,016* | *(176)* |
| *Funds flow from operations* | *$11,811* | *$20,442* |

*<u>Operating netback</u>*

*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.*

| | Three Months ended March 31 | |
|---|---|---|
| *(thousands)* | *2026* | *2025* |
| *Accounts Receivable* | *$15,235* | *$14,268* |
| *Current income taxes* | *-* | *759* |
| *Prepaids and Deposits* | *888* | *875* |
| *Current Assets* | *$16,123* | *$15,902* |
| *Accounts payable and accrued liabilities* | *$23,838* | *$24,459* |
| *Current income taxes* | *558* | *-* |
| *Decommissioning obligations* | *435* | *-* |
| *Bank debt* | *11,475* | *1,151* |
| *Current Liabilities* | *$36,306* | *$25,610* |
| *Working capital deficiency* | *$20,183* | *$9,708* |

*Capital Expenditures*

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

| | Three Months ended March 31 | |
|---|---|---|
| *(thousands)* | *2026* | *2025* |
| *Exploration and evaluation expenditures* | *$5,121* | *$811* |
| *Property, plant and equipment expenditures* | *14,377* | *21,774* |
| *Acquisitions* | *3,615* | *12,392* |
| *Capital expenditures* | *$23,113* | *$34,977* |

| (thousands, except per unit amounts and where indicated) | Three Months Ended March 31 2026 | March 31 2025 | December 31 2025 |
|---|---|---|---|
| **FINANCIAL** | | | |
| Petroleum and natural gas revenue | $29,133 | $38,595 | $26,669 |
| Funds flow from operations [(1)] | $11,811 | $20,442 | $9,489 |
| Per share – basic | $0.15 | $0.27 | $0.12 |
| Per share – diluted | $0.14 | $0.25 | $0.11 |
| Net income | $(1,948) | $5,756 | $(53,680) |
| Per share – basic | $(0.03) | $0.08 | $(0.69) |
| Per share – diluted | $(0.03) | $0.07 | $(0.69) |
| Capital expenditures [(2)] | $23,113 | $34,977 | $19,797 |
| Working capital deficiency [(3)] at end of period | $20,183 | $9,708 | $13,158 |
| Common shares outstanding at end of period | 77,773 | 76,624 | 77,773 |
| **OPERATING** | | | |
| Sales volumes | | | |
| Oil and liquids (bbls/day) | 3,519 | 4,754 | 3,821 |
| Natural gas (mcf/day) | 20,489 | 16,231 | 19,079 |
| Total (boe/day) [(4)] | 6,934 | 7,460 | 7,001 |
| % Oil and liquids | 51 | 64 | 55 |
| Commodity prices realized (before pipeline tariffs) | | | |
| Oil and liquids ($/bbl) | 83.65 | 85.83 | 67.19 |
| Natural gas ($/mcf) | 2.23 | 2.47 | 2.58 |
| Total ($/boe) | 49.05 | 60.07 | 43.70 |
| Operating netback [(5)] ($/boe) | 21.92 | 32.63 | 19.66 |
| Funds from operations netback ($/boe) [(1)] | 18.93 | 29.87 | 14.73 |
| Net wells drilled | 4.0 | 6.0 | - |
| Net acres of land at end of period | 288,062 | 285,113 | 288,609 |

(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.*

**PRODUCTION**

| | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| Oil (bbls per day) | 2,937 | 4,249 |
| Liquids (bbls per day) | 582 | 505 |
| Natural gas (mcf per day) | 20,489 | 16,231 |
| BOE per day | 6,934 | 7,460 |

Average production in Q1 2026 was 6,934 boe per day, with oil and liquids representing 51% of production. This compares to 7,460 boe per day in Q1 2025 with 64% oil and liquids and to 7,001 boe per day in Q4 2025 with 55% oil and liquids. Contributing to the Q1 2026 decrease in production compared to Q1 2025 are additions from fewer wells drilled and brought on production in Q1 2026.

Three new wells brought on production in Q1 2026, a Wayne well in February and two Sheerness wells in March. These wells contributed an average of 293 boe per day during the quarter. In comparison, six wells were brought on production in Q1 2025 (two in February and four in March) adding approximately 700 boe per day to the production average.

Oil and liquids production averaged 2,937 bbls per day in Q1 2026 down from 4,249 bbls per day in Q1 2025. Higher liquids volumes, tied to increased natural gas production, offset a decline in oil-only volumes.

Natural gas production increased to average 20,489 mcf per day in Q1 2026 compared to 16,231 mcf per day in Q1 2025. Contributing to the increase are volumes added through 2025 acquisitions.

**OPERATING NETBACKS**

| | Three Months Ended March 31 | |
|---|---|---|
| *($ per BOE)* | 2026 | 2025 |
| Revenue (1) | $46.68 | $57.49 |
| Royalties | (9.36) | (11.07) |
| Operating expenses | (13.74) | (11.55) |
| Transportation expenses | (1.66) | (2.24) |
| Operating netback (2) | $21.92 | $32.63 |

*(1) Net of pipeline tariff amount of $2.37 per boe for the three months ended March 31, 2026, and $2.58 in the comparable period of 2025.*
*(2) Operating netback does not have a standardized meaning prescribed by IFRS. See Non-IFRS measurements section of the MD&A.*

Operating netbacks were lower in Q1 2026 compared to the same period in 2025, primarily due to a higher weighting of natural gas production to total production, higher operating expenses and lower natural gas prices partially offset by lower royalties and transportation expenses.

**COMMODITY PRICES**

| | Three Months Ended March 31 | |
|---|---|---|
| *($ per bbl)* | 2026 | 2025 |
| WTI (US$/bbl) | $71.93 | $71.42 |
| MSW benchmark price (1) | $93.48 | $95.30 |
| WCS benchmark price (2) | $79.24 | $84.33 |
| Realized crude oil price | $89.51 | $89.75 |

*(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 Q1 2026 was $89.51 per barrel which is slightly lower than the Q1 2025 price of $89.75 per barrel. The WTI price was modestly higher and MSW differentials were slightly narrower, however this was offset by a stronger Canadian dollar and wider WCS differentials in Q1 2026 compared to the same quarter last year. In the first quarter of 2026, the WCS differential widened average US$14.15 per barrel from US$12.67 per barrel in the comparable period of 2025. The MSW differential narrowed to average US$3.76 per barrel from US$4.98 per barrel in the first quarter of 2025.

The Canadian dollar strengthened against the US dollar averaging $1.37 in Q1 2026 compared to the Q1 2025 average of $1.44.

The WTI price substantially increased late in the first quarter of 2026 due to global geopolitical conflicts.

| | Three Months Ended March 31 | |
|---|---|---|
| *($ per mcf)* | 2026 | 2025 |
| AECO Daily (5A) index | $1.90 | $2.16 |
| Realized natural gas price | $2.23 | $2.47 |

North 40’s natural gas production is sold at the AECO daily 5A index and realizes a slightly better price than the index due to its higher-than-standard heat content. North 40’s realized price decreased 10% to $2.23 per mcf in Q1 2026 from $2.47 per mcf in the comparable period of 2025.

**REVENUE**

| | Three Months Ended March 31 | |
|---|---|---|
| *($ thousands)* | 2026 | 2025 |
| Oil and liquids | $25,632 | $35,502 |
| Natural gas | 3,501 | 3,093 |
| Petroleum and natural gas revenue | $29,133 | $38,595 |
| % Oil and liquids | 88 | 92 |

*Note: Petroleum and natural gas revenue presented in the Statements of Net Income and Comprehensive Income is net of pipeline tariffs.*

Petroleum and natural gas revenue in Q1 2026 decreased 25% to $29.1 million from $38.6 million in Q1 2025. The decrease was predominantly driven by lower crude oil production volumes and lower natural gas prices partially offset by higher natural gas and natural gas liquids production.

Oil and liquids revenue of $25.6 million represents 88% of total revenue in Q1 2026 and decreased 28% from $35.5 million in Q1 2025. Crude oil price realizations were consistent and oil production volumes were 31% lower in Q1 2026 compared to the same quarter last year. Natural gas liquids volume were 15% higher in Q1 2026 compared to Q1 2025.

Natural gas revenue increased 13% in Q1 2026 to $3.5 million from $3.1 million in the same period of 2025 resulting from higher production volume partially offset by lower realized prices.

Oil pipeline tariffs of $0.9 million ($1.2 million in Q1 2025) are included in revenue for the three months ended March 31, 2026. The custody transfer to the purchaser is at the point the oil is offloaded at the terminal. Gas pipeline tariffs of $0.6 million ($0.5 million in Q1 2025) are also included in revenue for the three months ended March 31, 2026. The custody transfer to the purchaser is at the point the natural gas enters the receipt meter.

**ROYALTIES**

| | Three Months Ended March 31 | |
|---|---|---|
| *(thousands, except per unit amounts)* | 2026 | 2025 |
| Royalties | $5,841 | $7,431 |
| Per BOE | $9.36 | $11.07 |
| % of Revenue before pipeline tariffs | 19% | 18% |

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 in Q1 2026 were $5.8 million ($9.36 per boe) compared to $7.4 million ($11.07 per boe) in Q1 2025. The decrease from the comparable period in 2025 is predominantly due to lower production volumes.

Royalties as a percentage of revenue averaged 19% in Q1 2026 compared to 18% in Q1 2025.

The majority of the Company's royalties are freehold royalties and freehold mineral tax (which is included in royalties for financial reporting purposes).

**OPERATING AND TRANSPORTATION**

| | Three Months Ended March 31 | |
|---|---|---|
| *(thousands, except per unit amounts)* | 2026 | 2025 |
| Operating expenses | $8,573 | $7,752 |
| Per BOE | $13.74 | $11.55 |
| Transportation expenses | $1,039 | $1,497 |
| Per BOE | $1.66 | $2.24 |

Operating expenses for the three months ended March 31, 2026, were $8.6 million, compared to $7.8 million in the prior year period, representing an increase of approximately 11%.

The increase in operating costs was primarily due to higher maintenance and well servicing activity, as well as increased labour costs, reflecting expanded field operations and a larger operated asset base. In addition, higher lease-related costs and property taxes contributed to the increase in operating expenses.

These increases were partially offset by lower trucking and processing costs, reflecting reduced reliance on third-party services and improved infrastructure ownership.

On a per unit basis, operating expenses increased to $13.74 per boe from $11.55 per boe in the prior year period, an increase of approximately 19%. The increase in operating costs per boe reflects both higher costs and lower production volumes, which reduced the Company's ability to spread fixed operating costs over production.

Transportation costs, which are clean oil trucking expenses, averaged $1.66 per boe for the first quarter of 2026 and $2.24 per boe for the comparative period in 2025. This cost is incurred on oil production only and the decrease is due to lower oil production volumes.

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**

| (thousands, except per unit amounts) | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| G&A – cash-based expenses | $1,648 | $1,326 |
| Capitalized G&A | (527) | (96) |
| Net G&A | $1,121 | $1,230 |
| Per BOE | $1.80 | $1.83 |

Net general and administrative ("G&A") expenses were $1.1 million in Q1 2026 compared to $1.2 million in Q1 2025. The Company incurred higher costs related to higher staffing levels and consulting which was more than offset by higher capitalized G&A.

On a boe basis, net G&A was $1.80 per boe in Q1 2026 compared to $1.83 per boe in Q1 2025 due to lower net G&A expenses partially offset by lower production volume.

Capitalized G&A relates to a portion of the Company's engineering compensation for 2025. Beginning in Q4 2025, the Company amended its capitalization and overhead recovery policy to industry standard practices. As a result of asset transactions that closed in 2025, the Company's operations include partners in many wells and infrastructure. Overhead and capital recoveries charged to and by partners are governed by contractual agreements. North 40 has applied the industry standard practice to all its operations.

**SHARE BASED COMPENSATION**

| (thousands, except per unit amounts) | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| Share based compensation | $263 | $251 |
| Capitalized share-based compensation | - | (27) |
| | $263 | $224 |
| Per BOE | $0.42 | $0.33 |

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

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**

| (thousands, except per unit amounts) | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| Depletion and depreciation | $9,467 | $11,793 |
| Per BOE | $15.17 | $17.57 |

The Company recognized depletion and depreciation expense ("D&D") of $9.5 million in Q1 2026 compared to $11.8 million in Q1 2025. On a boe basis, D&D was $15.17 per boe in the first quarter of 2026 and $17.57 per BOE in the same period of 2025. D&D expense is calculated using the unit-of-production method based on proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production

D&D expense Q1 2026 was lower due to both lower production volume and a lower rate.

Depletion in Q1 2026 was impacted by a $62.2 million impairment charge recognized in Q4 2025 which resulted in a lower rate. Any future reversals of impairment would result in a lower charge.

The D&D expense recognized was comprised primarily of depletion expenses with minor amounts relating 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 amount of reserves added, and production volume.

**EXPLORATION EXPENSE**

| *(thousands, except per unit amounts)* | Three months ended March 31 2026 | 2025 |
|---|---|---|
| Exploration expense | $4,870 | $1,252 |
| Per BOE | $7.80 | $1.86 |

North 40 recognized exploration expense of $4.9 million in Q1 2026 ($7.80 per boe) compared to $1.3 million ($1.86 per boe) in Q1 2025. Exploration expense in 2026 relates to costs for an exploratory test well that encountered a drill pipe failure after reaching total depth and was abandoned ($4.4 million) and to undeveloped land expiries. Exploration expense in Q1 2025 relates to undeveloped land expiries and costs related to drilling two test evaluation wells in prior years.

**FINANCE EXPENSE**

| *(thousands)* | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| Accretion of decommissioning obligations | $220 | $124 |
| Interest | 143 | 28 |
| Banking fees | 42 | 40 |
| Interest on lease liabilities | 6 | 5 |
| Total | $411 | $197 |
| Per BOE | $0.66 | $0.29 |

Finance expense for Q1 2026 was $0.4 million, compared to $0.2 million in the same period of 2025. The increase was driven primarily by higher interest costs resulting from increased borrowings under the Company's credit facility and higher accretion costs mostly from asset acquisitions in the 2025 and Q1 2026.

Banking fees include standby charges.

Finance expense on a per boe basis was $0.66 for the quarter ended March 31, 2026 (Q1 2025 – $0.29), reflecting higher total finance costs and lower production.

Accretion of decommissioning obligations and interest on lease liabilities are non-cash charges.

**INCOME TAXES**

| *(thousands)* | Three Months Ended March 31 2026 | 2025 |
|---|---|---|
| Current income tax expense | $557 | $200 |
| Deferred income tax expense (recovery) | (1,061) | 1,293 |
| Income taxes | $(504) | $1,493 |
| Per BOE | $(0.81) | $2.23 |

North 40 recognized a current income tax expense of $0.6 million and a deferred income tax recovery of $1.1 million for the three months ended March 31, 2026, compared to $0.2 million of current income tax expense and a deferred income tax expense of $1.3 million in Q1 2025.

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.

The following tax pool balances are estimated at March 31, 2026:

| *(thousands)* | Maximum Annual Deduction | March 31 2026 | March 31 2025 |
|---|---|---|---|
| Canadian oil and gas property expense (COGPE) | 10% | $4,104 | $3,668 |
| Canadian development expense (CDE) | 30% | 75,991 | 70,079 |
| Undepreciated capital cost (UCC) | 25% | 49,820 | 48,770 |
| | | 129,915 | $122,517 |

**NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

| | Three Months Ended March 31 | |
|---|---|---|
| *(thousands)* | 2026 | 2025 |
| Net income (loss) and comprehensive income (loss) | $(1,948) | $5,756 |
| Per share – basic | $(0.03) | $0.08 |
| – diluted | $(0.03) | $0.07 |

North 40 recognized net loss and comprehensive loss of $1.9 million ($(0.03) per basic and diluted share) in the first quarter of 2026 and a net income and comprehensive income of $5.8 million ($0.08 per basic and $0.07 per diluted share) for the same period in 2025.

The decrease in net income for the three months ended March 31, 2026, as compared to the same period in 2025 is primarily due to a decrease in petroleum and natural gas revenue, higher exploration expense, and higher operating expenses partially offset by lower royalties, depletion and depreciation, and deferred income taxes.

**CAPITAL EXPENDITURES**

Capital expenditures by type and by area for the three months ended March 31, 2026, and 2025 were as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| *(thousands)* | 2026 | 2025 |
| Acquisition | $3,615 | $12,392 |
| Land and lease rentals (1) | 122 | 140 |
| Seismic and geological | 32 | - |
| Drilling and completion | 14,269 | 15,325 |
| Equipping and tie-ins | 4,277 | 6,805 |
| Facilities | 788 | 213 |
| Office and other | 10 | 102 |
| Total capital expenditures | $23,113 | $34,977 |

*(1) Net of land fund reimbursements*

| | Three Months Ended March 31 | |
|---|---|---|
| *(thousands)* | 2026 | 2025 |
| Sheerness | $17,658 | $34,810 |
| Wayne | 5,114 | - |
| Drumheller | 324 | 110 |
| Other (3) | 17 | 57 |
| Total field capital expenditures | $23,113 | $34,977 |

Wells drilled by property were as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| | 2026 | 2025 |
| Sheerness | 3 | 6 |
| Wayne | 1 | - |
| Total | 4 | 6 |

First quarter 2026 capital expenditures of $23.1 million includes the drilling of four wells of which three were completed and brought on production. One of the Sheerness wells was drilled and abandoned. After reaching total depth, the well encountered a drill pipe failure and had to be abandoned.

The Company also acquired certain oil and gas properties with no current production in Q1 2026 for $3.6 million. With this acquisition, North 40 acquired the remaining infrastructure required to consolidate the Company's infrastructure in the Sheerness prospect region and has commenced a reroute pipeline project to consolidate and deliver the Company's natural gas production from the region to a 100% owned North 40 gas plant.

First quarter 2025 capital expenditures of $35.0 million were expended almost entirely in the Sheerness area. The Company drilled, six wells (five wells in Michichi and one well in Aerial) in Q1 which were all brought on production in the quarter. A pipeline connecting the Company's Michichi production to a natural gas plant (50% working interest) purchased in Q4 2024 was completed and put into operation in Q1 2025.

The Company acquired certain crude oil and natural gas properties with minimal current production for $12.4 million of cash consideration in Q1 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. 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.

**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 $31.4 million at March 31, 2026 ($30.5 million at December 31, 2025). The increase in the decommissioning obligations is largely due to obligations associated with the properties acquired in Q1 2026.

Estimated abandonment and reclamation costs are based on the directives issued by the Alberta Energy Regulator and management's experience. The decommissioning obligation is measured using the estimated present value of costs to abandon and reclaim all ownership interests. Estimated timing of cash flows are aligned with reserve life and regulatory expectations. A risk-free rate of 3.65% (3.55% at December 31, 2025) and an inflation rate of 2.00% (2.00% at December 31, 2025) were used to calculate the best estimate of the decommissioning obligation.

For 2026, the Company plans to spend its mandatory spend requirement of $0.4 million under the Alberta Energy Regulator's Liability Management Program.

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2026, the Company had a working capital deficit of $20.2 million which includes $11.5 million of bank debt. Activities to date have been largely funded with cash flow from operations, initial equity proceeds, sales of royalty interests and volumetric payments, and bank debt.

At March 31, 2026, 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 March 31, 2026, 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 March 31, 2026. 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 on or before November 30, 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 March 31, 2026, there is $2.0 million remaining on the funding limit.

**SELECTED QUARTERLY INFORMATION**

| Three Months Ended | Mar 31 2026 | Dec 31 2025 | Sept 30 2025 | Jun 30 2025 | Mar 31 2025 | Dec 31 2024 | Sept 30 2024 | Jun 30 2024 |
|---|---|---|---|---|---|---|---|---|
| **FINANCIAL** | | | | | | | | |
| Petroleum and natural gas revenue | $29,133 | $26,669 | $27,891 | $29,818 | $38,595 | $30,591 | $25,197 | $26,057 |
| Funds flow from operations [(1)] | $11,811 | $9,489 | $11,968 | $13,126 | $20,442 | $14,712 | $11,702 | $12,555 |
| Per share – basic | $0.15 | $0.12 | $0.15 | $0.17 | $0.27 | $0.19 | $0.15 | $0.16 |
| Per share – diluted | $0.14 | $0.11 | $0.14 | $0.15 | $0.25 | $0.18 | $0.14 | $0.15 |
| Net income (loss) | $(1,948) | $(53,680) | $1,141 | $(8,210) | $5,756 | $3,494 | $(1,130) | $4,244 |
| Per share – basic | $(0.03) | $(0.69) | $0.02 | $(0.11) | $0.08 | $0.05 | $(0.02) | $0.06 |
| Per share – diluted | $(0.03) | $(0.69) | $0.01 | $(0.11) | $0.07 | $0.04 | $(0.02) | $0.05 |
| Capital expenditures [(2)] | $23,113 | $19,797 | $15,943 | $16,553 | $34,977 | $27,847 | $22,314 | $3,554 |
| Working capital surplus (deficiency) at end of period [(3)] | $(20,183) | $(13,158) | $(17,099) | $(12,829) | $(9,708) | $(8,365) | $(10,757) | $1,086 |
| Common shares outstanding end of period | 77,773 | 77,773 | 77,612 | 77,612 | 76,624 | 76,624 | 76,624 | 76,624 |
| **OPERATING** | | | | | | | | |
| Sales volumes | | | | | | | | |
| Oil and liquids (bbls/day) | 3,519 | 3,821 | 4,054 | 4,135 | 4,754 | 3,809 | 3,169 | 3,034 |
| Natural gas (mcf/day) | 20,489 | 19,079 | 19,485 | 18,662 | 16,231 | 12,498 | 10,150 | 8,413 |
| Total (boe/day) [(4)] | 6,934 | 7,001 | 7,301 | 7,245 | 7,460 | 5,892 | 4,860 | 4,436 |
| % Oil and liquids | 51 | 55 | 56 | 57 | 64 | 65 | 65 | 68 |
| Commodity prices realized (before pipeline tariffs) | | | | | | | | |
| Oil and liquids ($/bbl) | 83.65 | 67.19 | 75.34 | 74.94 | 85.83 | 85.33 | 87.55 | 94.73 |
| Natural gas ($/mcf) | 2.23 | 2.58 | 0.71 | 1.91 | 2.47 | 1.73 | 0.77 | 1.33 |
| Total ($/boe) | 49.05 | 43.70 | 43.73 | 47.69 | 60.07 | 58.84 | 58.69 | 67.31 |
| Operating netback [(5)] ($/boe) | 21.92 | 19.66 | 20.84 | 23.07 | 32.63 | 30.12 | 27.59 | 34.25 |
| Funds flow from operations netback ($/boe) [(1)] | 18.93 | 14.73 | 17.82 | 19.91 | 29.87 | 27.14 | 26.17 | 31.10 |
| Net wells drilled | 4.0 | - | 3.0 | 5.0 | 6.0 | 4.0 | 7.0 | - |
| Net acres of land at end of period | 288,062 | 288,609 | 262,380 | 266,003 | 285,113 | 265,397 | 267,272 | 283,585 |

(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
## March 31, 2026

## North 40 Resources Ltd.
## Interim Statements of Financial Position

| (unaudited)<br>As at | March 31<br>2026 | December 31<br>2025 |
|---|---|---|
| *($ thousands)* | | |
| **ASSETS** | | |
| **Current Assets** | | |
| Accounts receivable | 15,235 | 11,086 |
| Prepaids and deposits | 888 | 957 |
| Total Current Assets | 16,123 | 12,043 |
| | | |
| Deposit on asset acquisition bid (Note 5) | - | 300 |
| Exploration and evaluation assets (Notes 4, 5 and 6) | 1,417 | 6,606 |
| Property, plant and equipment (Notes 5, 6 and 7) | 161,154 | 150,470 |
| **Total Assets** | **178,694** | **169,419** |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 23,838 | 14,190 |
| Current income taxes | 558 | 237 |
| Decommissioning obligations (Note 10) | 435 | 435 |
| Bank debt (Note 9) | 11,475 | 10,339 |
| Total Current Liabilities | 36,306 | 25,201 |
| | | |
| Lease liabilities | 168 | 192 |
| Decommissioning obligations (Note 10) | 30,981 | 30,042 |
| Deferred income taxes | 247 | 1,307 |
| **Total Liabilities** | 67,702 | 56,742 |
| | | |
| **Shareholders' Equity** | | |
| Share capital (Note 11) | 77,169 | 77,169 |
| Contributed surplus | 6,081 | 5,818 |
| Retained earnings | 27,742 | 29,690 |
| Total Shareholders' Equity | 110,992 | 112,677 |
| **Total Liabilities and Shareholders' Equity** | **178,694** | **169,419** |

*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 March 31 | |
|---|---|---|
| | **2026** | **2025** |
| *($ thousands except per share amounts)* | | |
| **Revenue** | | |
| Petroleum and natural gas revenue (Note 12) | 29,133 | 38,595 |
| Less: Royalties | 5,841 | 7,431 |
| | 23,292 | 31,164 |
| Interest income | - | 30 |
| | 23,292 | 31,194 |
| **Expenses** | | |
| Operating | 8,573 | 7,752 |
| Transportation | 1,039 | 1,497 |
| General and administrative | 1,121 | 1,230 |
| Share based compensation (Note 11) | 263 | 224 |
| Depletion and depreciation (Note 7) | 9,467 | 11,793 |
| Exploration expense (Note 4) | 4,870 | 1,252 |
| Finance expense | 411 | 197 |
| Total expenses | 25,744 | 23,945 |
| **Income (loss) before taxes** | (2,452) | 7,249 |
| Current income tax expense | 557 | 200 |
| Deferred income tax expense (recovery) | (1,061) | 1,293 |
| Income taxes | (504) | 1,493 |
| **Net Income (Loss) and Comprehensive Income (Loss)** | **(1,948)** | **5,756** |
| **Net Income (Loss) per share (Note 13)** | | |
| Basic | $(0.03) | $0.08 |
| Diluted | $(0.03) | $0.07 |

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

# North 40 Resources Ltd.
## Interim Statements of Changes in Equity
(unaudited)

| *($ thousands)* | Share Capital | Contributed Surplus | Retained Earnings | Total Equity |
|---|---|---|---|---|
| **Balance as at December 31, 2024** | **76,245** | **5,806** | **84,684** | **166,735** |
| Net income | - | - | 5,756 | 5,756 |
| Share based compensation (Note 11) | - | 250 | - | 250 |
| **Balance as at March 31, 2025** | **76,245** | **6,056** | **90,440** | **172,741** |
| | | | | |
| **Balance as at December 31, 2025** | **77,169** | **5,818** | **29,690** | **112,677** |
| Net loss | - | - | (1,948) | (1,948) |
| Share based compensation (Note 11) | - | 263 | - | 263 |
| **Balance as at March 31, 2026** | **77,169** | **6,081** | **27,742** | **110,992** |

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

## North 40 Resources Ltd.
## Interim Statements of Cash Flow

| (unaudited) | Three months ended March 31 | |
|---|---|---|
| | **2026** | **2025** |
| *($ thousands)* | | |
| **Cash provided by (used in):** | | |
| **Operating activities** | | |
| Net income (loss) for the period | (1,948) | 5,756 |
| Adjusted for: | | |
| Depletion and depreciation (Note 7) | 9,467 | 11,793 |
| Exploration expense (Note 4) | 4,870 | 1,252 |
| Accretion expense (Note 10) | 220 | 124 |
| Share based compensation (Note 11) | 263 | 224 |
| Deferred income tax expense (recovery) | (1,061) | 1,293 |
| | 11,811 | 20,442 |
| Change in non-cash working capital (Note 14) | (2,016) | 176 |
| | 9,795 | 20,618 |
| **Financing activities** | | |
| Increase in bank debt (Note 9) | 1,136 | 1,151 |
| Repayment of lease liabilities | (25) | (8) |
| | 1,111 | 1,143 |
| **Investing activities** | | |
| Deposit paid on acquisition bid | 300 | 1,200 |
| Exploration and evaluation expenditures (Note 4) | (5,121) | (811) |
| Property, plant and equipment expenditures (Note 7) | (14,377) | (21,774) |
| Acquisitions (Note 5) | (3,615) | (12,392) |
| Proceeds from dispositions (Note 6) | 4,000 | 12,000 |
| Change in non-cash working capital (Note 14) | 7,907 | (5,694) |
| | (10,906) | (27,471) |
| Change in cash | - | (5,710) |
| Cash, beginning of period | - | 5,710 |
| **Cash, end of period** | **-** | **-** |
| Cash income tax paid | 236 | - |
| Interest paid | 143 | 27 |

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

# North 40 Resources Ltd.
# Notes to the Financial Statements

(unaudited)

As at March 31, 2026, and December 31, 2025, and for the three months ended March 31, 2026, and 2025 *(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 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 International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("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 as at and for the year ended December 31, 2025.

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 June 3, 2026.

## 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, 2025, except as disclosed below.

On January 1, 2026, the Company adopted the amendments to IFRS 9 and IFRS 7, relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments were effective on January 1, 2026. The impact from this amendment is immaterial to the financial statements.

## 4. EXPLORATION AND EVALUATION ASSETS

| ($) | March 31 2026 | December 31 2025 |
|---|---|---|
| Balance, beginning of period | 6,606 | 15,927 |
| Acquisitions (Note 5) | - | 26,349 |
| Additions | 5,121 | 7,330 |
| Dispositions (Note 6) | - | (23,004) |
| Exploration expense | (4,870) | (12,143) |
| Transferred to property and equipment (Note 7) | (5,440) | (7,853) |
| Balance, end of period | 1,417 | 6,606 |

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 2026 relates to costs for an exploratory test well that encountered a drill pipe failure after reaching total depth and was abandoned ($4.4 million) and to undeveloped land expiries.

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

## 5. ACQUISITIONS

**2026**

On January 13, 2026, the Company completed the acquisition of certain crude oil and natural gas properties in Sheerness (Aerial), primarily pipeline and related infrastructure, with no current production for cash consideration of $3.6 million. The effective date of the acquisition was January 13, 2026. 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, 2026 |
|---|---:|
| Net assets (liabilities) acquired | |
| Property, plant & equipment | 5,236 |
| Decommissioning obligations | (1,621) |
| Net assets acquired | 3,615 |
| Consideration | |
| Cash | 3,210 |
| Accrued payable | 405 |
| Total consideration | 3,615 |

A deposit of $0.3 million was paid in 2025 in connection with this acquisition.

**2025**

On November 20, 2025, the Company completed the acquisition of certain crude oil and natural gas properties in Sheerness (Aerial) and related infrastructure for cash consideration of $15.4 million. The effective date of the acquisition was October 1, 2025. The acquisition has been accounted for as a business combination under IFRS 3. Petroleum and natural gas revenues of $0.4 million and net operating income of $0.3 million were included in the statement of net income (loss) and comprehensive income (loss) from the closing date of November 20, 2025, to December 31, 2025. If the acquisition had occurred on January 1, 2025, the estimated incremental petroleum and natural gas revenues and net operating income for the year ended December 31, 2025, would have been $5.3 million and $3.2 million, respectively.

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

| ($) | As at November 20, 2025 |
|---|---:|
| Net assets (liabilities) acquired | |
| Exploration and evaluation assets | 11,999 |
| Property, plant & equipment | 7,880 |
| Decommissioning obligations | (4,449) |
| Net assets acquired | 15,430 |
| Consideration | |
| Cash | 15,430 |
| Total consideration | 15,430 |

The acquisition date fair value attributed to property, plant and equipment was derived from the estimate of proved and probable oil and gas reserves and the related cash flows utilizing discount rates between 10% and 20%. The fair value of the decommissioning obligations was initially estimated using a discount rate of 9%. The exploration and evaluation assets fair value was determined based on future net cash flows to be derived from potential drilling locations from undeveloped lands.

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 |
|---|---|
| Net assets (liabilities) acquired | |
| Exploration and evaluation assets | 14,350 |
| Property, plant & equipment | 3,839 |
| Decommissioning obligations | (5,797) |
| Net assets acquired | 12,392 |
| Consideration | |
| Cash | 12,392 |
| Total consideration | 12,392 |

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

## 6. DISPOSITIONS

**2026**

In Q1 2026, the Company sold a royalty interest, and infrastructure volume payment in production from certain lands and pipeline utilization included in the acquisition described in Note 5 (January 13, 2026). Proceeds from the sale were $4.0 million and were allocated to property, plant and equipment. There was no gain or loss recognized on the disposition.

Persons related to a director purchased a portion of these interests for proceeds totaling $1.5 million. An arm's length third party purchased the remainder of these interests.

**2025**

In Q4 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 (November 20, 2025). Proceeds from the sale were $15.0 million and were allocated to E&E assets ($11.7 million) and to property plant and equipment ($3.3 million). There was no gain or loss recognized on the disposition.

Persons related to a director purchased a portion of these interests for proceeds totalling $5.6 million. An arm's length third party purchased the remainder of these interests.

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 ($0.2 million after final adjustments). 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 on disposition 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 (January 13, 2025). 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.

## 7. PROPERTY, PLANT AND EQUIPMENT

| ($) | March 31 2026 | December 31 2025 |
|---|---|---|
| Property and equipment, at cost | 445,410 | 425,259 |
| Accumulated depletion and depreciation | (284,256) | (274,789) |
| Net book value, end of period | 161,154 | 150,470 |

| Reconciliations of movements during the period: | | |
|---|---|---|
| Cost, beginning of period | 425,259 | 346,933 |
| Accumulated depletion and depreciation, beginning of period | (247,789) | (161,002) |
| Net book value, beginning of period | 150,470 | 185,931 |
| Additions | 14,377 | 52,349 |
| Acquisitions (Note 5) | 3,615 | 11,719 |
| Dispositions (Note 6) | (4,000) | (4,181) |
| Transferred from exploration and evaluation assets | 5,440 | 7,853 |
| Changes in decommissioning obligations (Note 10) | 719 | 10,557 |
| Depletion and depreciation | (9,467) | (47,120) |
| Impairment (Note 8) | - | (62,159) |
| Impairment on disposition (Note 6) | - | (4,479) |
| Net book value, end of period | 161,154 | 150,470 |

Included in the calculation of depletion was an estimate for future development costs of $120.0 million at March 31, 2026 ($124.7 million at December 31, 2025). An estimated future salvage value of $13.4 million was excluded from the calculation of depletion at March 31, 2026 ($12.8 million at December 31, 2025).

Included in the March 31, 2026, property, plant and equipment balance is the right-of-use asset of $0.2 million ($0.2 million at December 31, 2025).

## 8. IMPAIRMENT

| ($) | March 31 2026 | December 31 2025 |
|---|---|---|
| Impairment of property, plant and equipment | - | 62,159 |

North 40 has one CGU as of March 31, 2026, and at December 31, 2025. At December 31, 2025, indicators of impairment were identified due to a lower commodity price environment and negative technical revisions for crude oil. As a result, an impairment test was performed. The recoverable value was estimated at fair value less costs to sell based on before tax discounted cash flows from proved and probable oil and gas reserves, based on the underlying composition of reserve categories.

At December 31, 2025, it was determined that the carrying value exceeded the estimated recoverable amount and a $62.2 million impairment was recognized. The before tax discount rate applied in the calculation ranged between 10% and 20% depending on the reserve category.

The results of the impairment tests are sensitive to changes in any of the key significant assumptions including forecasted oil and commodity prices, forecasted production volumes, forecasted operating costs, royalty costs and future development costs which impact the estimate of cash flows from proved and probable oil and gas reserves, in addition to the discount rate, of which changes could increase or decrease the estimated recoverable amount of the CGU and result in additional impairment charges or in the recovery of previously recorded impairment charges. All estimates are subject to uncertainty.

The following table outlines forecasted oil and natural gas prices and exchange rates used in the Company's impairment test as at December 31, 2025. The forecasted oil and natural gas prices are based on those used by the independent third-party external reserve evaluator at December 31, 2025, and are a key assumption in assessing the recoverable amount.

| | Oil | | | Gas | | |
|---|---|---|---|---|---|---|
| Year | WTI Cushing Oklahoma ($US) | Edmonton Light ($C) | N40 Oil Price ($C) | Henry Hub ($US) | AECO Spot ($C) | N40 Gas Price ($C) |
| | | ($/bbl) | | | ($/mmbtu) | |
| 2026 | 59.92 | 77.54 | 69.64 | 3.74 | 3.00 | 2.80 |
| 2027 | 65.10 | 83.60 | 75.28 | 3.78 | 3.30 | 3.13 |
| 2028 | 70.28 | 90.17 | 81.27 | 3.85 | 3.49 | 3.32 |
| 2029 | 71.93 | 92.32 | 83.30 | 3.93 | 3.58 | 3.40 |
| 2030 | 73.37 | 94.17 | 84.97 | 4.01 | 3.65 | 3.46 |
| 2031 | 74.84 | 96.06 | 86.92 | 4.09 | 3.72 | 3.51 |
| 2032 | 76.34 | 97.98 | 88.63 | 4.17 | 3.80 | 3.59 |
| 2033 | 77.87 | 99.93 | 90.44 | 4.26 | 3.88 | 3.66 |
| 2034 | 79.42 | 101.93 | 92.25 | 4.34 | 3.95 | 3.75 |

*2.0% per annum increase thereafter*

A one percent change in the discount rate or a five percent change in the forward price over the life of the reserves would result in changes in impairment of $3.8 million and $20.0 million respectively.

At March 31, 2026, there were no indicators of impairment or reversal of impairment identified and an impairment test was not performed.

## 9. CREDIT FACILITY

At March 31, 2026, 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 March 31, 2026, 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 March 31, 2026. 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, 2026.

At March 31, 2026, there was $11.5 million drawn on the facility ($10.3 million at December 31, 2025).

## 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 processing facilities. The Company estimates the total inflation adjusted and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $67.7 million ($64.3 million at December 31, 2025).

A reconciliation of the decommissioning obligations is provided below.

| ($) | March 31 2026 | December 31 2025 |
|---|---|---|
| Balance, beginning of year | 30,477 | 9,115 |
| Liabilities incurred | 161 | 1,791 |
| Liabilities acquired with acquisitions | 1,620 | 10,247 |
| Change in estimates | (1,062) | 2,184 |
| Change in discount rate on acquisition | - | 6,753 |
| Obligations disposed | - | (199) |
| Accretion expense | 220 | 586 |
| Balance, end of year | 31,416 | 30,477 |
| | | |
| Expected to be incurred within one year | 435 | 435 |
| Expected to be incurred beyond one year | 30,981 | 30,042 |
| | | |
| Key assumptions | | |
| Risk free rate | 3.65% | 3.55% |
| 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 | | March 31 2026 | | December 31 2025 |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Common Shares** | | | | |
| Balance, beginning of period | 77,773 | $77,042 | 76,624 | $76,093 |
| Issued on conversion of Class B’s and C’s | - | - | 1,149 | 949 |
| Balance, end of period | 77,773 | $77,042 | 77,773 | $77,042 |
| | | | | |
| **Class B Common Non-Voting Shares** | | | | |
| Balance, beginning of period | 3,770 | $38 | 4,870 | $49 |
| Converted to common shares | - | - | (1,100) | (11) |
| Balance, end of period | 3,770 | $38 | 3,770 | $38 |
| | | | | |
| **Class C Common Non-Voting Shares** | | | | |
| Balance, beginning of period | 8,950 | $89 | 10,380 | $103 |
| Converted to common shares | - | - | (715) | (7) |
| Forfeited | - | - | (715) | (7) |
| Balance, end of period | 8,950 | $89 | 8,950 | $89 |
| Total | | $77,169 | | $77,169 |

### 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 2029 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 March 31, 2026, 3,770,000 Class B shares and 1,272,000 options on Class B shares have vested (4,870,000 and 1,040,583 respectively at March 31, 2025).

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, 2025 | 2,297,000 | $0.83 |
| Granted | 245,000 | 1.40 |
| Exercised | (370,858) | (0.89) |
| Forfeited | (134,142) | (1.07) |
| Balance, December 31, 2025 | 2,037,000 | $0.78 |
| Granted | 815,000 | 1.80 |
| Forfeited | - | - |
| Balance, March 31, 2026 | 2,852,000 | $1.08 |

The fair market value of each Class B option granted in 2026 was estimated on the date of issue using the Black-Scholes pricing model and the following weighted average assumptions in the calculations:

| | |
|---|---|
| Risk-free interest rate (%) | 2.61 |
| Expected life (years) | 2.0 - 3.0 |
| Estimated volatility of underlying common shares (%) | 60 |
| Share Price ($) | 2.80 |
| Estimated forfeiture rate (%) | nil |

The Company recognized share-based compensation expense of $143,997 related to the Class B options for the quarter ended March 31, 2026 ($79,858 for the quarter ended March 31, 2025) and capitalized nil ($9,046 for the quarter ended March 31, 2025).

**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 |
|---|---|---|
| 2,334,833 | $1.50 | $1.00 |
| 2,334,833 | $2.00 | $1.15 |
| 2,334,833 | $2.25 | $1.30 |
| 2,334,833 | $2.50 | $1.45 |
| 2,334,833 | $2.75 | $1.60 |
| 2,334,833 | $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, 2025 | 3,899,000 | $0.82 |
| Granted | 485,000 | 1.40 |
| Exercised | (343,332) | (0.85) |
| Forfeited | (401,668) | (0.93) |
| Balance, December 31, 2025 | 3,639,000 | $0.77 |
| Granted | 1,420,000 | 1.80 |
| Balance, March 31, 2026 | 5,059,000 | $1.07 |

The fair market value of each Class C option granted in 2026 was estimated on the date of issue using the Black-Scholes pricing model and the following assumptions in the calculations:

| | |
|---|---|
| Risk-free interest rate (%) | 2.61 |
| Expected life (years) | 2.5 |
| Estimated volatility of underlying common shares (%) | 60 |
| Share Price ($) | 2.80 |
| 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 $118,530 related to the Class C shares and options for the quarter ended March 31, 2026 ($143,624 for the quarter ended March 31, 2025) and capitalized nil ($18,064 for the quarter ended March 31, 2025).

## 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.

| ($) | **March 31 2026** | **March 31 2025** |
|---|---|---|
| Crude oil revenues | 22,799 | 33,102 |
| Natural gas revenues | 3,501 | 3,093 |
| Natural gas liquids revenues | 2,833 | 2,400 |
| Total | 29,133 | 38,595 |

## 13. NET INCOME (LOSS) PER SHARE

| | **March 31 2026** | **March 31 2025** |
|---|---|---|
| Net Income (loss) per share | | |
| Basic | $(0.03) | $0.08 |
| Diluted | $(0.03) | $0.07 |
| Weighted average shares outstanding | | |
| Basic | 77,773 | 76,624 |
| Diluted | 86,602 | 83,125 |

## 14. SUPPLEMENTAL CASH FLOW INFORMATION

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

| ($) | March 31 2026 | March 31 2025 |
|---|---|---|
| Source / (use) of cash: | | |
| Accounts receivable | (4,149) | (1,007) |
| Prepaid expenses and deposits | 69 | (36) |
| Accounts payable and accrued liabilities | 9,648 | (4,675) |
| Current income taxes | 321 | 200 |
| Change in non-cash working capital | 5,889 | (5,518) |
| Related to: | | |
| Operating activities | (2,016) | 176 |
| Investing activities | 7,907 | (5,694) |

## 15. COMMITMENTS

| ($) | Within 1 year | After 1 year but not more than 5 years | Total |
|---|---|---|---|
| Firm transportation – natural gas | 374 | 383 | 757 |
| Office lease | 197 | 383 | 580 |
| Total | 571 | 766 | 1,337 |

## 16. RELATED PARTIES

In Q1 2026, 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 $4.0 million. Persons related to one of the Company's directors purchased a portion of these interests for proceeds totalling $1.5 million. An arm's length third party purchased the remainder of these interests.

In Q4 2025, 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 $15.0 million. Persons related to one of the Company's directors purchased a portion of these interests for proceeds totalling $5.6 million. An arm's length third party purchased the remainder of these interests.

In Q1 2025, 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 $12.0 million. Persons related to two of the Company's 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.

Payments made to related parties were $0.3 million in Q1 2026 and $1.2 million in 2025.

## 17. 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 to respond 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. At March 31, 2026, there is $2.0 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.

## 18. 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 March 31, 2026, and December 31, 2025, financial assets on the statement of financial position are comprised of cash and trade and other receivables and the maximum credit risk associated with these financial instruments is the total carrying amount of these financial assets.

Accounts receivable for crude oil and natural gas sales are collected on or about the 25th day of the month following production. At March 31, 2026, 99% of the accounts receivable amount relates to production revenue (90% at December 31, 2025).

**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 million revolving demand operating facility with a Canadian chartered bank. At March 31, 2026, $11.5 million was drawn on this facility.

**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 March 31, 2026, and December 31, 2025, 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. There were no outstanding contracts at March 31, 2026, and December 31, 2025.

*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. There were no outstanding contracts at March 31, 2026, and December 31, 2025.

## Corporate Information

### OFFICERS

Don Robson
*President and Chief Executive Officer*

Kim Schoenroth
*Vice President Finance and Chief 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*

### DIRECTORS

Clayton Woitas
*Executive Chairman*

Tyson Birchall

Jeff Lebbert

Margaret McKenzie

Don Robson

Grant Zawalsky

### HEAD OFFICE

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### BANKER

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### LEGAL COUNSEL

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Calgary, AB

### RESERVE EVALUATORS

McDaniel & Associates Consultants Ltd.

### WEBSITE

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