Tuktu Resources Ltd.

Unaudited Interim Condensed Financial Statements

As at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023

Tuktu Resources Ltd.

Interim Condensed Statements of Financial Position
(unaudited)

(Expressed in CDN dollars)	Notes	**September 30, 2024**	December 31, 2023	January 1, 2023
Assets				*(note 3)*
Current assets				
Cash and cash equivalents		**$ 590,576**	$ 247,565	$ 3,475,212
Accounts receivable		**1,191,644**	265,467	29,601
Prepaid expenses and deposits		**421,316**	1,615,790	84,494
Total current assets		**2,203,536**	2,128,822	3,589,307
Mineral property security deposits	4	**32,569**	32,385	32,227
Deposits	10	**1,234,834**	199,072	-
Investments	5	**122,046**	200,586	-
Exploration and evaluation assets	6	**18,292**	18,292	18,292
Property, plant and equipment	8	**11,008,981**	6,808,108	126,644
Total assets		**$ 14,620,258**	$ 9,387,265	$ 3,766,470
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		**$ 2,330,564**	$ 1,241,353	$ 463,137
Warrant liability	9	**1,595,938**	487,923	3,391,388
Promissory note	10	**255,353**	-	-
Decommissioning obligations	11	**40,530**	-	-
Total current liabilities		**4,222,385**	1,729,276	3,854,525
Promissory note	10	**580,376**	-	-
Decommissioning obligations	11	**7,857,165**	3,914,607	-
Total liabilities		**12,659,926**	5,643,883	3,854,525
Shareholders' equity				
Share capital	12	**14,479,278**	13,672,322	12,034,915
Warrants	12	**1,144,042**	766,758	-
Contributed surplus	12	**8,006,675**	7,917,694	7,683,953
Deficit		**(21,669,663)**	(18,613,392)	(19,806,923)
Total shareholders' equity		**1,960,332**	3,743,382	(88,055)
Total liabilities and shareholders' equity		**$ 14,620,258**	$ 9,387,265	$ 3,766,470

Nature of operations and going concern (note 1)
Subsequent event (note 21)

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Income (Loss) and Comprehensive Income (Loss)
(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
(Expressed in CDN dollars)	Notes	**2024**	2023	**2024**	2023
Revenue					
Petroleum and natural gas sales	15	**$ 2,513,981**	$ 560,696	**$ 3,666,227**	$ 1,054,239
Royalties		**(788,283)**	(114,580)	**(910,156)**	(192,477)
		1,725,698	446,116	**2,756,071**	861,762
Expenses					
Operating		**890,131**	281,134	**1,796,287**	555,420
Transportation		**33,959**	49,411	**119,535**	80,567
General and administrative	16	**355,357**	363,878	**1,064,702**	1,140,211
Remeasurement loss (gain) on warrant liability	9	**1,390,284**	(120,992)	**1,108,015**	(1,545,867)
Exploration and evaluation expense		**341**	12,155	**1,535**	37,527
Share-based compensation	13	**21,842**	50,133	**63,940**	148,764
Depletion and depreciation	8	**920,193**	215,548	**1,774,103**	420,064
Gain on disposition		**-**	-	**-**	(236,227)
Unrealized loss on investments	5	**32,820**	-	**78,540**	-
		3,644,927	851,267	**6,006,657**	600,459
Net finance income (expense)	17	**32,892**	(17,999)	**194,315**	7,109
Net income (loss) and comprehensive income (loss)		**$ (1,886,337)**	$ (423,150)	**$ (3,056,271)**	$ 268,412
Net income (loss) per share					
Basic and diluted	14	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ -

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Changes in Shareholders' Equity
(unaudited)

(Expressed in CDN dollars)	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2022		$ 12,034,915	$ -	$ 7,683,953	$(19,806,923)	$ (88,055)
Issued on acquisition		882,800	317,200	-	-	1,200,000
Share based compensation	13	-	-	148,764	-	148,764
Net income for the period		-	-	-	268,412	268,412
Balance at September 30, 2023		$ 12,917,715	$ 317,200	$ 7,832,717	$(19,538,511)	$ 1,529,121

	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2023		$ 13,672,322	$ 766,758	$ 7,917,694	$(18,613,392)	$ 3,743,382
Issued pursuant to the Private Placement	12	1,028,830	368,670	-	-	1,397,500
Share issue costs	12	(349,060)	-	43,679	-	(305,381)
Share based compensation	13	-	-	75,502	-	75,502
Broker warrant exercise	12	73,740	17,060	(30,200)	-	60,600
Warrant exercise	12	53,446	(8,446)	-	-	45,000
Net loss for the period		-	-	-	(3,056,271)	(3,056,271)
Balance at September 30, 2024		$ 14,479,278	$ 1,144,042	$ 8,006,675	$(21,669,663)	$ 1,960,332

See accompanying notes to the interim condensed financial statements.

Tuktu Resources Ltd.

Interim Condensed Statements of Cash Flows
(unaudited)

(Expressed in CDN dollars)	Notes	Three months ended September 30, **2024**	Three months ended September 30, 2023	Nine months ended September 30, **2024**	Nine months ended September 30, 2023
Cash provided by (used in):					
Operating activities					
Net income (loss) for the period		**$ (1,886,337)**	$ (423,150)	**$ (3,056,271)**	$ 268,412
Non-cash items:					
Remeasurement loss (gain) on warrant liability	9	**1,390,284**	(120,992)	**1,108,015**	(1,545,867)
Depletion and depreciation	8	**920,193**	215,548	**1,774,103**	420,064
Share-based compensation	13	**21,842**	50,133	**63,940**	148,764
Accretion	11	**30,339**	13,714	**79,674**	26,242
Promissory note	10	**(66,813)**	-	**(286,499)**	-
Gain on disposition		**-**	-	**-**	(236,227)
Unrealized loss on investments	5	**32,820**	-	**78,540**	-
Security deposit		**-**	-	**(1,234,834)**	-
Change in non-cash working capital	18	**210,648**	55,093	**85,030**	(12,488)
		652,976	(209,654)	**(1,388,302)**	(931,100)
Investing activities					
Capital expenditures - property, plant and equipment	8	**(596,880)**	(1,396)	**(607,575)**	(16,490)
Property acquisition	7	**-**	-	**(1,253,353)**	(2,414,010)
Property disposition		**-**	-	**-**	361,925
Interest earned on mineral property security deposits	4	**(73)**	(49)	**(184)**	(109)
Change in non-cash working capital	18	**-**	-	**1,330,134**	(92,503)
		(596,953)	(1,445)	**(530,978)**	(2,161,187)
Financing activities					
Issue of units, net of costs	12	**-**	-	**1,092,119**	-
Issue of promissory note	10	**-**	-	**1,234,834**	-
Repayments of promissory note	10	**(112,606)**	-	**(112,606)**	-
Proceeds from broker warrant exercise	12	**60,600**	-	**60,600**	-
Proceeds from warrant exercise	12	**45,000**	-	**45,000**	-
Change in non-cash working capital	18	**(22,500)**	-	**(57,656)**	-
		(29,506)	-	**2,262,291**	-
Increase (decrease) in cash and cash equivalents		**26,517**	(211,099)	**343,011**	(3,092,287)
Cash and cash equivalents - beginning of period		**564,059**	594,024	**247,565**	3,475,212
Cash and cash equivalents - end of period		**$ 590,576**	$ 382,925	**$ 590,576**	$ 382,925

See accompanying notes to the interim condensed financial statements.

1. Nature of operations and going concern

Tuktu Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange under the symbol "TUK". The Company is in the business of oil and natural gas exploration, development and production. The Company's registered and head office is located at 501, 888 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 0V2.

Going concern:

These unaudited interim condensed financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At September 30, 2024, the Company had accumulated losses of $21.7 million since inception (December 31, 2023 - $18.6 million). For the nine months ended September 30, 2024, the Company reported a net loss of $3.1 million (September 30, 2023 - $268 thousand net income) and cash used in operating activities of $1.4 million (September 30, 2023 - $931 thousand). The Company's working capital balance has decreased from $400 thousand as at December 31, 2023 to a $2.0 million deficit as at September 30, 2024.

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, secure funding from debt or equity financings or make other arrangements which may not be available.

Subsequent to September 30, 2024, the Company raised gross proceeds of $10 million (see subsequent event note 21). The Company will utilize the proceeds from the equity raise to satisfy certain obligations and to invest in the current operations and future development of its oil and gas properties to attempt to generate positive cash flows from operations. There can be no assurances one or more of these alternatives will be successful.

These conditions indicate a material uncertainty that may cast significant doubt as to the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These unaudited interim condensed financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

2. Basis of presentation

a) Statement of compliance:

These unaudited interim condensed financial statements have been prepared by management in accordance with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") under accounting principles consistent with IFRS Accounting Standards ("IFRS") as issued by the IASB.

These unaudited interim condensed financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023. The Company has applied the same accounting policies outlined by the Company in its most recent annual financial statements except as noted in Note 3. These unaudited interim condensed financial statements do not include all the information required for full annual financial statements.

These unaudited interim condensed financial statements were authorized for issue by the Board of Directors on November 26, 2024.

b) Functional and presentation currency:

These unaudited interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

c) Basis of measurement:

These unaudited interim condensed financial statements have been prepared on the historical cost basis, except for certain financial and non-financial assets and liabilities which have been measured at fair value.

d) Use of estimates and judgments:

The preparation of the unaudited interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements, estimates and assumptions made by management in these unaudited interim condensed financial statements are outlined in note 2 of the Company's December 31, 2023 annual financial statements. There have been no changes in the Company's judgements, estimates, accounting policies or determination of fair values applied during the interim period ended September 30, 2024, relative to those described in the most recent annual financial statements as at and for the year ended December 31, 2023 except as noted in Note 3.

3. Changes in accounting policy

Effective January 1, 2024, Tuktu adopted the amendments to IAS 1, *Presentation of Financial Statements*, whereby the classification of certain non-current liabilities may need to be reclassified to current. Under the previous IAS 1 requirements, companies classified a liability as current when they did not have an unconditional right to defer settlement for at least 12 months after the reporting date. The IASB removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendment is retrospective and requires reclassification for the periods ended December 31, 2023 and January 1, 2023.

Due to the change in policy, there is a retrospective impact on the comparative statements of financial position at December 31, 2023 and January 1, 2023, as the warrant liability does not give the Company the right to defer settlement of the liability for at least 12 months. As such, the liability is impacted by the revised policy. Tuktu reclassified $487,923 and $3,391,388 from non-current liabilities to current liabilities for the periods ended December 31, 2023 and January 1, 2023, respectively. The warrant liability is now classified as current for the period ended September 30, 2024. See note 9 for further details.

4. Mineral property security deposits

The Company is required to maintain safekeeping deposits with the Government of British Columbia as a condition of certain mineral claims. These deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The deposits are held in guaranteed investment certificates with annual maturity dates and interest rates of 3.65% (December 31, 2023 – 2.5%) or in trust with the government ministry. As at September 30, 2024, the Company had $32,569 (December 31, 2023 - $32,385) on deposit.

5. Investments

	September 30, 2024	December 31, 2023
Balance, beginning of period	**$ 200,586**	$ -
Investment in Cascade Copper Corp.	**-**	308,487
Remeasurement loss	**(78,540)**	(107,901)
Balance, end of period	**$ 122,046**	$ 200,586

On October 13, 2023, as consideration for the sale of the Isintok mining claims the Company received 2,150,538 units of Cascade Copper Corp. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant shall be exercisable for one common share at an exercise price of $0.15 for a period of three years and vest on September 28, 2024. On September 30, 2024, the investment was revalued to its fair value of $122,046, resulting in a $78,540 unrealized loss being recognized in the statement of income (loss).

The fair value of the warrants on September 30, 2024 and on December 31, 2023 was determined using the Black-Scholes pricing model with the following inputs:

	September 30, 2024	December 31, 2023
Share price	**$ 0.040**	$ 0.065
Risk-free interest rate	**3.00%**	3.26%
Expected life (years)	**2.03**	2.78
Expected volatility	**237%**	203%
Fair value	**$ 0.034**	$ 0.057

6. Exploration and evaluation assets

	September 30, 2024	December 31, 2023
Balance, beginning and end of period	**$ 18,292**	$ 18,292

Exploration and evaluation assets consist of the Company's undeveloped land. The Company concluded that there were no indicators of impairment on its exploration and evaluation assets at September 30, 2024.

7. Acquisitions

On May 27, 2024, the Company closed an acquisition of southern Alberta oil assets. As consideration for the assets, the Company paid $1,403,353 cash before customary adjustments of which $199,072 was paid in 2023 and was recorded as a long-term deposit. The Company incurred transaction costs of $49,072 on the acquisition 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:

Net assets (liabilities) acquired	**Total**
Property, plant and equipment	$ 5,305,139
Decommissioning obligations	(3,852,714)
Net assets acquired	$ 1,452,425
Consideration	
Cash	$ 1,403,353
Transaction costs	49,072
Total consideration and transaction costs	$ 1,452,425

8. Property, plant and equipment

		Oil and gas assets		Office and other assets		Total
Cost						
Balance at December 31, 2022	$	-	$	163,592	$	163,592
Acquired - property acquisition		7,614,414		-		7,614,414
Additions		9,552		9,092		18,644
Dispositions		-		(136,079)		(136,079)
Changes in decommissioning liabilities		(178,186)		-		(178,186)
Balance at December 31, 2023		7,445,780		36,605		7,482,385
Acquired - property acquisition		5,305,139		-		5,305,139
Additions		605,875		1,700		607,575
Capitalized stock-based compensation		11,562		-		11,562
Changes in decommissioning liabilities		50,700		-		50,700
Balance at September 30, 2024	$	13,419,056	$	38,305	$	13,457,361
Accumulated depletion and depreciation						
Balance at December 31, 2022	$	-	$	(36,948)	$	(36,948)
Depletion and depreciation		(644,613)		(3,097)		(647,710)
Dispositions		-		10,381		10,381
Balance at December 31, 2023		(644,613)		(29,664)		(674,277)
Depletion and depreciation		(1,772,286)		(1,817)		(1,774,103)
Balance at September 30, 2024	$	(2,416,899)	$	(31,481)	$	(2,448,380)
Net book value						
As at December 31, 2023	$	6,801,167	$	6,941	$	6,808,108
As at September 30, 2024	$	11,002,157	$	6,824	$	11,008,981

Future development costs of $51.5 million were included in the calculation of depletion (December 31, 2023 –$3.1 million). At September 30, 2024, there were no indicators of impairment for the oil and gas assets.

9. Warrant liability

		September 30, 2024		December 31, 2023
Balance, beginning of period	**$**	**487,923**	$	3,391,388
Remeasurement loss (gain)		**1,108,015**		(2,903,465)
Balance, end of period	**$**	**1,595,938**	$	487,923

On July 15, 2022, as part of the Recapitalization Transaction, the Company issued 51,941,773 Units comprised of one common share and one common share purchase warrant at $0.09 per unit. Each warrant entitles holders to acquire one common share at an exercise price of $0.11 prior to the date that is four years from the date of issuance of the warrants. The warrants will vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the common shares equaling or exceeding $0.13, $0.155 and $0.18, respectively. The warrants issued were classified as a financial liability as a result of a cashless exercise provision. In no event will the Company be required to settle the warrants through a cash payment.

The fair value of the warrants on September 30, 2024 and on December 31, 2023 was determined using the Black-Scholes pricing model with the following inputs:

		September 30, 2024		December 31, 2023
Share price	$	**0.11**	$	0.05
Risk-free interest rate		**3.00%**		3.26%
Expected life (years)		**1.79**		2.54
Expected volatility (1)		**49%**		63%
Fair value	$	**0.031**	$	0.009

(1) Expected volatility is based on a historical peer group volatility

The Company recorded a $1,108,015 remeasurement loss (nine months ended September 30, 2023: $1,545,867 gain) on the warrant liability for the nine months ended September 30, 2024.

10. Promissory note

		September 30, 2024		December 31, 2023
Balance, beginning of period	$	**-**	$	-
Addition		**1,234,834**		-
Repayment		**(112,606)**		-
Initial fair value adjustment		**(246,425)**		-
Revisions to estimates		**(117,468)**		-
Accretion expense		**77,394**		-
Balance, end of period	$	**835,729**	$	-
Current	$	**255,353**	$	-
Long-term	$	**580,376**	$	-

On May 13, 2024, Tuktu agreed to a $1,234,834 promissory note from an arm's length third party. The proceeds from the promissory note were used to fund deposits with the Alberta Energy Regulator required as a condition of licence transfers for certain asset acquisitions.

The promissory note is interest free, senior secured over the Company's assets, matures on or before June 1, 2027, and requires monthly payments beginning on July 25, 2024. The monthly payments are calculated by multiplying the Company's production times a percentage ranging from 10% to 20% depending on WTI price times the realized commodity price. The Company repaid $112,606 of the principal balance during the nine months ended September 30, 2024.

The promissory note was initially measured at fair value and then subsequently measured at amortized cost using an effective interest rate of 20%.

11. Decommissioning obligations

The Company's decommissioning obligations result from net ownership interests in oil and gas assets. The Company estimated the total inflated and undiscounted amount of cash flows required to settle its decommissioning obligations is approximately $10,856,711 (December 31, 2023 - $5,241,261). These payments are expected to be made between 1 and 36 years. A risk-free rate of 3.13% (December 31, 2023 – 3.02%) and an inflation rate of 1.64% (December 31, 2023 – 1.62%) was used to calculate the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

	September 30, 2024	December 31, 2023
Balance, beginning of period	$ 3,914,607	$ -
Acquisition	3,852,714	3,998,143
Revisions to estimates	50,700	(178,186)
Accretion expense	79,674	94,650
Balance, end of period	$ 7,897,695	$ 3,914,607
Current	$ 40,530	$ -
Long-term	$ 7,857,165	$ 3,914,607

12. Share capital

Common shares

a) Authorized - unlimited common shares without nominal or par value.

b) Issued and outstanding:

	September 30, 2024		December 31, 2023	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	114,944,858	$ 13,672,322	73,006,559	$ 12,034,915
Issued on acquisition	-	-	10,000,000	882,800
Issued pursuant to the private placement	27,950,000	1,028,830	31,938,299	1,147,357
Share issue costs	-	(349,060)	-	(392,750)
Exercise of broker warrants	1,212,000	73,740	-	-
Exercise of warrants	600,000	53,446	-	-
Balance, end of period	144,706,858	$ 14,479,278	114,944,858	$ 13,672,322

On May 28, 2024, the Company completed a brokered private placement of 26,950,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $1,347,500 and issued 1,000,000 units to the agent in lieu of cash commissions. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles holders to acquire one common share at an exercise price of $0.075 prior to the date that is 3 years from the date of issuance of the warrants. The units were recognized at an ascribed value of $368,670 to the warrants and $1,028,830 to the common shares.

In connection with the brokered private placement, the Company recorded $349,060 in share issue costs comprised of $255,381 in cash commissions and fees, $50,000 related to the issuance of 1,000,000 units to the agent as noted above, and the calculated fair value of the $43,679 associated with 1,854,000 broker warrants issued to the agent and certain selling group members.

Warrants

	September 30, 2024		December 31, 2023	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	41,938,299	$ 766,758	-	$ -
Issued on acquisition	-	-	10,000,000	317,200
Issued pursuant to the private placement	27,950,000	368,670	31,938,299	449,558
Issued on exercise of broker warrants	1,212,000	17,060	-	-
Exercised	(600,000)	(8,446)	-	-
Balance, end of period	70,500,299	$ 1,144,042	41,938,299	$ 766,758

The 27,950,000 warrants issued in connection with the private placement were ascribed a value of $368,670. The value was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.05, risk free interest rate 3.88%; expected life of three years; and expected volatility of 67%.

During the nine months ended September 30, 2024, 1,212,000 warrants were issued upon the exercise of broker warrants. The allocated value of the warrants was $17,060.

During the nine months ended September 30, 2024, 600,000 warrants were exercised for 600,000 common shares for total proceeds of $45,000. The allocated value of $8,446, along with the proceeds received, were credited to share capital.

<u>Broker Warrants</u>

	September 30, 2024			December 31, 2023		
	Number of Warrants		**Amount**	Number of Warrants		Amount
Balance, beginning of period	**1,398,400**	**$**	**34,844**	-	$	-
Issued pursuant to the private placement	**1,854,000**		**43,679**	1,398,400		34,844
Exercised	**(1,212,000)**		**(30,200)**	-		-
Balance, end of period	**2,040,400**	**$**	**48,323**	1,398,400	$	34,844

In consideration for services rendered in relation to the May 28, 2024 brokered private placement, the Company issued 1,854,000 broker warrants to the agent and certain other selling group firms. Each broker warrant is exercisable at a price equal to $0.05 and entitles the holder to one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company at a price of $0.075 for a period of 3 years. The $43,679 fair value of the broker warrants was measured using the Black-Scholes option pricing model with the following assumptions: share price $0.05; risk free interest rate 3.88%; expected life of three years; and expected volatility of 67%.

During the nine months ended September 30, 2024, 1,212,000 broker warrants were exercised for 1,212,000 common shares and 1,212,000 warrants for total proceeds of $60,600.

13. Share-based compensation

The following table reflects the Company's stock options for which shares have been reserved:

	September 30, 2024			December 31, 2023		
	Number of Options		**Weighted average exercise price**	Number of Options		Weighted average exercise price
Balance, beginning of period	**6,800,000**	**$**	**0.14**	7,250,000	$	0.14
Granted	**6,000,000**		**0.05**	-		-
Forfeited or expired	**(200,000)**		**0.15**	(450,000)		0.12
Balance, end of period	**12,600,000**	**$**	**0.10**	6,800,000	$	0.14

On July 17, 2024, the Company granted 6,000,000 stock options with a five-year term and a $0.05 exercise price. The fair value of each option was estimated on the date of grant using the Black Scholes pricing model using the following assumptions:

Share price	**$**	**0.05**
Risk-free interest rate		**3.10%**
Expected life (years)		**5.00**
Expected volatility [1]		**85%**
Fair value	**$**	**0.034**

(1) Expected volatility is based on a historical peer group volatility

Summary information with respect to options outstanding at September 30, 2024 is provided below:

Number outstanding	Exercise price ($)	Contractual life remaining (years)	Number exercisable	Exercise price ($)
1,000,000	0.08	2.73	1,000,000	0.08
5,600,000	0.15	2.93	5,283,333	0.15
6,000,000	0.05	4.80	-	0.05
12,600,000	0.10	3.80	6,283,333	0.14

For the nine months ended September 30, 2024, the Company recorded stock-based compensation expense of $63,940 (nine months ended September 30, 2023 - $148,764) and capitalized stock-based compensation expense of $11,562 (nine months ended September 30, 2023 - $nil) for stock options outstanding.

14. Per share amounts

Basic and diluted net income (loss) per share is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Net income (loss)	**$ (1,886,337)**	$ (423,150)	**$ (3,056,271)**	$ 268,412
Weighted average common shares outstanding				
Basic and diluted	**143,037,749**	83,006,559	**123,625,665**	80,259,306
Net income (loss) per common share:				
Basic and diluted	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ 0.00

Basic per share amounts are calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to determine the impact of dilutive securities. The reconciling items between the basic and diluted average common shares outstanding are stock options, warrants and broker warrants. Stock options, warrants and broker warrants that were out of the money were excluded from the diluted average common shares outstanding calculation. In periods where the Company recognizes a net loss, the effect of stock options, warrants and broker warrants are removed as they are anti-dilutive. For the nine months ended September 30, 2024, there were 12,600,000 stock options (September 30, 2023: 7,250,000), 122,442,072 warrants (September 30, 2023: 61,941,773) and 2,040,000 broker warrants (September 30, 2023: nil) excluded from the diluted shares outstanding.

15. Revenue

The Company sells its production pursuant to variable-price contracts. The transaction price is based on the commodity price, adjusted for quality, location or other factors. Under the contracts the Company is required to deliver a variable volume of crude oil, condensate, natural gas or natural gas liquids to the customer.

The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

Crude oil and natural gas are sold under contracts of varying terms. Revenues are typically collected on the 25th day of the month following production.

The following table summarizes the Company's petroleum and natural gas sales:

		Three months ended September 30,		Nine months ended September 30,
	2024	2023	**2024**	2023
Crude oil	**$ 2,381,725**	$ 16,906	**$ 2,779,137**	$ 31,331
Natural gas	**132,256**	543,790	**887,090**	1,022,908
Petroleum and natural gas revenues	**$ 2,513,981**	$ 560,696	**$ 3,666,227**	$ 1,054,239

Included in accounts receivable as at September 30, 2024, is $920,991 (December 31, 2023 – $137,508) of accrued petroleum and natural gas sales related to September 2024 production.

16. General and administrative expenses

		Three months ended September 30,		Nine months ended September 30,
	2024	2023	**2024**	2023
Salaries and benefits	**$ 273,201**	$ 196,188	**$ 692,633**	$ 615,300
Professional fees	**78,138**	74,655	**195,706**	238,927
Consulting fees	**32,544**	24,906	**62,220**	77,742
Directors fees	**10,018**	8,768	**30,000**	27,093
Insurance	**10,612**	10,155	**32,412**	31,463
Office and miscellaneous	**62,956**	42,410	**140,519**	122,007
Transfer agent, filing fees and news releases	**10,002**	6,796	**33,342**	27,679
Operating overhead recoveries	**(500)**	-	**(500)**	-
Capitalized salaries	**(121,614)**	-	**(121,630)**	-
	$ 355,357	$ 363,878	**$ 1,064,702**	$ 1,140,211

17. Finance income and expense

		Three months ended September 30,		Nine months ended September 30,
	2024	2023	**2024**	2023
Finance income				
Interest on short term investments	**$ 2,028**	$ 60	**$ 4,041**	$ 45,148
Finance expense				
Part XII.6 interest on flow-through expenditures under the look-back rule	**(4,532)**	(4,137)	**(14,134)**	(11,589)
Accretion (note 11)	**(30,339)**	(13,714)	**(79,674)**	(26,242)
Promissory note (note 10)	**66,813**	-	**286,499**	-
Other finance expense	**(1,078)**	(208)	**(2,417)**	(208)
Net finance income (expense)	**$ 32,892**	$ (17,999)	**$ 194,315**	$ 7,109

18. Change in non-cash working capital

	September 30, 2024	December 31, 2023
Accounts receivable	**$ (926,177)**	$ (235,866)
Prepaid expenses and deposits	**1,194,474**	(1,531,296)
Accounts payable and accrued liabilities	**1,089,211**	778,216
	$ 1,357,508	$ (988,946)
Operating activities	**$ 85,030**	$ 189,945
Investing activities	**1,330,134**	(1,330,134)
Financing activities	**(57,656)**	151,243
	$ 1,357,508	$ (988,946)

19. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers capital structure to include shareholder's equity and working capital.

The Company monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its mining claims and future oil and gas development. Value-creating activities may be financed with a combination of working capital and other sources of capital.

20. Financial instruments and risk management

The Company's financial instruments include cash and cash equivalents, accounts receivable, mineral property security deposits, deposits, investments, accounts payable and accrued liabilities and promissory note.

Fair value measurement

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lower priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable, mineral property security deposits and accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity. The fair value of the Company's investments have been assessed on the fair value hierarchy described above using level 1 for common shares traded on the Canadian Securities Exchange and level 2 for warrants. The fair value of the promissory note has been assessed using level 2 inputs.

The Company has exposure to credit risk, liquidity risk, interest rate risk and equity price risk as a result of its use of financial instruments. The Company has policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations that arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and natural gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

The Company mitigates credit risk by maintaining relationships with large, established, reputable and creditworthy purchasers. The Company attempts to mitigate risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure. Joint venture receivables are from partners in the oil and natural gas industry that are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. The Company has the ability to withhold production from joint interest partners in the event of non-payment.

The Company's total amount of cash and cash equivalents and accounts receivable at September 30, 2024 was $1,782,220 (December 31, 2023: $513,032), representing the Company's maximum credit exposure. The total amount of accounts receivable 90 days past due is nominal at September 30, 2024 (December 31, 2023: nominal).

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. See Note 1 going concern.

As at September 30, 2024, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which all have a maturity of less than one year and promissory note which has a maximum maturity of three years.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable interest rate on its cash and cash equivalents as it has not entered into any interest rate hedging contracts. For the three months ended September 30, 2024 and 2023, if interest rates had been 1% higher with all other variables held constant, the change in net income (loss) would have been insignificant.

d) Equity price risk

Equity price risk refers to the risk that the fair value of the investments will fluctuate due to changes in equity markets. Equity price risk arises from the realizable value of the investments that the Company holds which are subject to variable equity market prices which on disposition gives rise to a cash flow equity price risk. The Company will assume full risk in respect of equity price fluctuations.

21. Subsequent event

On November 21, 2024 the Company closed a marketed offering of units. The Company issued 111,664,805 units at a price of $0.09 for gross proceeds of $10,049,832. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.13 for a 24-month term ending November 21, 2026. The Company paid the agent a cash commission of $572,990 and issued 6,033,221 broker warrants. Each broker warrant entitles the holder to purchase one unit at a price of $0.09 for a 24-month term ending November 21, 2026.