ROK RESOURCES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2026

ROK RESOURCES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in $000s)	**June 30, 2026**	December 31, 2025
Assets		
Current Assets		
Cash and cash equivalents	**13,786**	5,744
Accounts receivable (Note 11)	**8,323**	6,675
Prepaids and deposits	**215**	220
Risk management contracts (Note 11)	**-**	141
Assets held for sale (Note 13)	**8,526**	-
	30,850	12,780
Non-current Assets		
Property, plant and equipment (Note 3)	**93,433**	103,832
Marketable securities (Note 7)	**11,355**	9,179
	135,638	125,791
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**12,411**	8,154
Current portion of RSU liability (Note 6)	**1,103**	556
Current portion of lease liability	**129**	114
Current portion of decommissioning obligations (Note 4)	**1,200**	1,572
Liabilities held for sale (Note 13)	**3,185**	-
	18,028	10,396
Non-current Liabilities		
Non-current portion of lease liability	**229**	179
Non-current portion of RSU liability (Note 6)	**98**	80
Non-current portion of decommissioning obligations (Note 4)	**12,223**	14,426
Deferred income tax	**11,302**	10,306
	41,880	35,387
Shareholders' Equity		
Share capital (Note 5a)	**28,439**	28,035
Contributed surplus	**8,187**	8,270
Retained earnings	**57,132**	54,099
	93,758	90,404
	135,638	125,791

See accompanying notes to the interim condensed consolidated financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three and six months ended June 30

(Unaudited, expressed in $000s)	Three months ended 2026	Three months ended 2025	Six months ended 2026	Six months ended 2025
Revenue:				
Oil and natural gas sales (Note 9)	**20,998**	16,641	**36,872**	37,621
Royalties	**(3,185)**	(2,558)	**(5,782)**	(6,036)
Oil and natural gas sales, net of royalties	**17,813**	14,083	**31,090**	31,585
Realized gain on commodity contracts (Note 11)	**118**	6,869	**395**	6,535
Unrealized gain (loss) on commodity contracts (Note 11)	**(110)**	1,951	**(141)**	1,081
Processing and other income	**616**	553	**994**	1,190
Total revenue and other income	**18,437**	23,456	**32,338**	40,391
Expenses and other items:				
Operating expenses	**9,592**	10,543	**18,259**	19,574
General and administrative	**1,785**	1,277	**3,088**	2,472
Business development	**171**	-	**178**	-
Stock-based compensation (Note 5b & 6)	**378**	458	**470**	496
Depletion and depreciation (Note 3)	**3,699**	4,900	**7,604**	10,091
Net finance expense (Note 10)	**618**	640	**1,080**	1,256
Unrealized loss (gain) on marketable securities (Note 7)	**1,514**	1,041	**(2,176)**	3,974
Foreign exchange	**(152)**	83	**(194)**	80
Total expenses and other items	**17,605**	18,942	**28,309**	37,943
Income before income taxes	**832**	4,514	**4,029**	2,448
Deferred income tax expense	**180**	1,236	**996**	715
Net income and comprehensive income	**652**	3,278	**3,033**	1,733
Net income per share (Note 5c)				
Basic	**0.00**	0.01	**0.01**	0.01
Diluted	**0.00**	0.01	**0.01**	0.01

See accompanying notes to the interim condensed consolidated financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30

(Unaudited, expressed in $000s)	**Three months ended** **2026**	2025	**Six months ended** **2026**	2025
Cash flows provided by (used in):				
Operating activities				
Net income	**652**	3,278	**3,033**	1,733
Adjustments for:				
Unrealized loss (gain) on commodity contracts (Note 11)	**110**	(1,951)	**141**	(1,081)
Unrealized loss (gain) on marketable securities (Note 7)	**1,514**	1,041	**(2,176)**	3,974
Depletion and depreciation (Note 3)	**3,699**	4,900	**7,604**	10,091
Other income from deferred revenue	**-**	(138)	**-**	(276)
Stock-based compensation (Note 5b and 6)	**378**	458	**470**	496
Unrealized foreign exchange gain	**(253)**	(1)	**(314)**	-
Net finance expense (Note 10)	**618**	640	**1,080**	1,256
Net interest expense received (paid)	**5**	(121)	**15**	(291)
Deferred income tax	**180**	1,236	**996**	715
Abandonment costs paid (Note 4)	**(250)**	(365)	**(372)**	(491)
Change in non-cash working capital (Note 12)	**4,274**	519	**2,260**	(3,593)
	10,927	9,496	**12,737**	12,533
Investing activities				
Expenditures on property, plant and equipment (Note 3)	**(5,031)**	(1,034)	**(5,536)**	(1,703)
Change in non-cash working capital (Note 12)	**375**	7	**354**	(63)
	(4,656)	(1,027)	**(5,182)**	(1,766)
Financing activities				
Proceeds on option exercises	**249**	-	**249**	-
Amounts paid on Credit Facility	**-**	(5,087)	**-**	(7,349)
Share buyback	**-**	(30)	**-**	(30)
Lease payments	**(35)**	(36)	**(74)**	(72)
	214	(5,153)	**175**	(7,451)
Foreign exchange on cash and cash equivalents	**250**	-	312	-
Increase in cash and cash equivalents	**6,735**	3,316	**8,042**	3,316
Cash and cash equivalents, beginning of period	**7,051**	-	**5,744**	-
Cash and cash equivalents, end of period	**13,786**	3,316	**13,786**	3,316

See accompanying notes to the interim condensed consolidated financial statements.

ROK RESOURCES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in $000s)	**Number of Shares**	**Share Capital**	**Warrants**	**Contributed Surplus**	**Retained Earnings**	**Total**
Balance at December 31, 2025	217,763,815	28,035	-	8,270	54,099	90,404
Net income	-	-	-	-	3,033	3,033
Stock option exercises	1,066,665	404	-	(155)	-	249
Stock-based compensation	-	-	-	72	-	72
Balance at June 30, 2026	**218,830,480**	**28,439**	**-**	**8,187**	**57,132**	**93,758**
Balance at December 31, 2024	219,769,315	28,420	4,562	3,531	64,894	101,407
Net income	-	-	-	-	1,733	1,733
Share buyback	(162,000)	(30)				(30)
Warrant expiry	-	-	(4,562)	4,562	-	-
Stock-based compensation	-	-	-	112	-	112
Balance at June 30, 2025	219,607,315	28,390	-	8,205	66,627	103,222

See accompanying notes to the interim condensed consolidated financial statements.

1. REPORTING ENTITY

ROK Resources Inc. ("ROK" or the "Company") is a public company that is engaged in oil and gas exploration and development activities in Western Canada. The Company's head offices are located in Regina, Saskatchewan, Canada and Calgary, Alberta, Canada, and the Company's shares are listed and publicly traded on the TSX Venture Exchange (the "Exchange") under the trading symbol "ROK".

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" under IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These Financial Statements follow the same accounting policies and method of computation as the Company's annual audited financial statements for the year ended December 31, 2025, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. These Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2025. These Financial Statements were approved and authorized for issuance by the Company's Board of Directors on August 19, 2026.

Adoption of Accounting Standards

Effective January 1, 2026, the Company adopted amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosures. These amendments clarify recognition and derecognition of financial assets and liabilities, including settling of financial liabilities using an electronic payment system, and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income(loss). As a result of the adoption of the amendment to IFRS 9, ROK no longer deducts the value of outstanding cheques from cash and cash equivalents and accounts payable and accrued liabilities at the end of each reporting period. Up to December 31, 2025, the value of outstanding cheques were deducted from cash and cash equivalents, accounts payable and accrued liabilities. This change was accounted for prospectively for periods beginning on and after January 1, 2026.

The following table summarizes the impact of adopting amendments to IFRS 9 on the Company's balance sheet at January 1, 2026:

As at ($000s)	**December 31, 2025**	**Effect of Change**	**January 1, 2026**
Cash and cash equivalents	5,744	365	6,109
Accounts payable and accrued liabilities	8,154	365	8,519

3. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment ("PP&E") consist of development and production assets ("D&P") and right-of-use leased assets ("ROU"). D&P include the Company's interests in developed petroleum and natural gas properties, as well as interests in infrastructure such as facilities and pipelines. PP&E consist of the following amounts:

Cost ($000s)	**D&P**	**ROU**	**Total**
Balance, December 31, 2025	180,588	556	181,144
Additions	5,536	128	5,664
Assets held for sale (Note 13)	(9,322)	-	(9,322)
Change in decommissioning provisions	67	-	67
Balance, June 30, 2026	**176,869**	**684**	**177,553**

Accumulated Depletion & Depreciation ($000s)			
Balance, December 31, 2025	77,011	301	77,312
Assets held for sale (Note 13)	(796)	-	(796)
Depletion & depreciation	7,544	60	7,604
Balance, June 30, 2026	**83,759**	**361**	**84,120**

Net Carrying Amount ($000s)			
Balance, December 31, 2025	103,577	255	103,832
Balance, June 30, 2026	**93,110**	**323**	**93,433**

Future development costs in the amount of $167.2 million (December 31, 2025 - $172.8 million) were included in the depletion calculated for the period ended June 30, 2026.

4. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

($000s)	
Balance, December 31, 2025	15,998
Change in estimate	67
Accretion expense	915
Assets held for sale (Note 13)	(3,185)
Liabilities settled	(372)
Balance, June 30, 2026	**13,423**

Current portion	1,200
Non-current portion	12,223

At June 30, 2026, the total estimated amount to settle ROK's decommissioning obligations on an uninflated and undiscounted basis was $66.7 million (December 31, 2025 - $66.7 million) and on an inflated and undiscounted basis was $106.2 million (December 31, 2025 - $106.2 million). The inflated, undiscounted future value of decommissioning obligations was determined by applying an inflation factor of 2.0% (December 31, 2025 – 2.0%) and subsequently discounting the inflated amount using the Company credit-adjusted rate of 12.0% (December 31, 2025 – 12.0%) to arrive at the balance of $13.4 million. These costs are expected to be incurred over the next 20 years.

There are material uncertainties about the amount and timing of the decommissioning obligations, which include the future market prices for services and equipment required to undertake decommissioning activities, the government regulations and industry practices that set out the relevant standards, and the lifespan of the Company's portfolio of exploration and production assets.

5. SHARE CAPITAL

a) Common shares

At June 30, 2026, the Company was authorized to issue an unlimited number of Class B Shares, with no par value, with holders of Class B Shares entitled to one vote per share and to dividends, if declared. Outstanding Class B Shares as of June 30, 2026, are as follows:

	Class B shares	Amount ($000s)
Balance, December 31, 2024	219,769,315	28,420
Share repurchases	(2,005,500)	(385)
Balance, December 31, 2025	217,763,815	28,035
Stock option exercise	1,066,665	404
Balance, June 30, 2026	**218,830,480**	**28,439**

b) Stock options

The Company has a stock option plan whereby options can be granted from time to time to directors, officers, employees and consultants at the discretion of the Board of Directors. The number of options that can be granted is limited to 10% of the total shares issued and outstanding. Options issued typically vest one-third on the date of the grant, one-third after one year following the date of the grant, and one-third after two years following the grant date. Options issued expire five years following the date of the grant. A summary of the changes in stock options is presented below:

	Stock options	Weighted average exercise price
Balance, December 31, 2024	18,995,000	0.27
Options forfeited/expired	(13,485,000)	0.27
Options issued	1,250,000	0.20
Balance, December 31, 2025	6,760,000	0.28
Options forfeited	(1,183,335)	0.31
Options exercised	(1,066,665)	0.26
Options issued	500,000	0.23
Balance, June 30, 2026	**5,010,000**	**0.28**
Exercisable, June 30, 2026	**3,889,980**	**0.29**

The following summarizes information about stock options outstanding as at June 30, 2026:

Exercise prices	Number of options outstanding	Weighted average term to expiry (years)	Number of options exercisable
0.20	900,000	3.97	383,326
0.21	810,000	3.28	539,996
0.25	500,000	0.73	500,000
0.26	500,000	4.84	166,658
0.28	100,000	0.06	100,000
0.30	1,150,000	1.46	1,150,000
0.35	275,000	2.16	275,000
0.40	775,000	1.67	775,000
	5,010,000	**2.51**	**3,889,980**

For the three and six months ended June 30, 2026, the Company recognized $48,000 and $72,000 (June 30, 2025 - $74,000 and $112,000) in stock-based compensation expense.

c) Net income per share

The table below summarizes the weighted average ("WA") number of common shares outstanding used in the calculation of net loss per share for the three and six months ended June 30, 2026 and 2025:

	Three months ended		Six months ended	
	2026	2025	2026	2025
WA common shares outstanding, basic	218,407,587	219,761,458	218,087,479	219,765,365
Dilutive effect of stock options	626,900	-	382,694	-
WA common shares outstanding, diluted	219,034,487	219,761,458	218,470,173	219,765,365
Net income ($000s)	652	3,278	3,033	1,733
$ per common share, basic	0.00	0.01	0.01	0.01
$ per common share, diluted	0.00	0.01	0.01	0.01

The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

In computing diluted net income per share for the six months ended June 30, 2026, a total of 2,800,000 stock options were excluded (six months ended June 30, 2025 – 6,760,000) as they were not in-the-money based on a weighted average trading price of the Company's common shares of $0.26 for the period, and therefore anti-dilutive. In computing diluted net income per share for the three months ended June 30, 2026, a total of 2,200,000 stock options were excluded (three months ended June 30, 2025 – 6,760,000) as they were not in-the-money based on a weighted average trading price of the Company's common shares of $0.29 for the period, and therefore anti-dilutive.

6. LONG-TERM INCENTIVE COMPENSATION

In June 2025, the Company's Board of Directors approved a new Restricted Share Unit Plan ("RSU Plan") as an additional form of long-term incentive compensation which allows the Board to grant Restricted Share Units ("RSUs") to directors, officers, employees and consultants of the Company. At the time of redemption of RSUs granted, a cash payment equal to the fair market value of each redeemed RSU is to be paid to the RSU holders. The fair market value is determined based on the volume weighted average trading price per common share of the Company on the Exchange for the last five trading days ending immediately before the redemption date.

For RSUs granted to non-directors, one-third of the granted RSUs will vest on each of the first, second and third years following the date of grant, unless otherwise determined by the Board of Directors of the Company. RSUs granted to directors vest immediately but are not redeemable until the holder ceases to be a director of the Company. As such, the cost and liability associated with RSUs granted to non-directors are recognized evenly over the term of vesting, while the cost and liability of RSUs granted to directors are fully recognized on the date of grant due to their immediate vesting. As previously mentioned, the initial cost and liability of granted RSUs is based on a 5-day volume weighted average trading price per common share of the Company at the time of grant. This initial cost valuation of RSUs is recognized as part of stock-based compensation. Subsequent revaluation of RSUs on a periodic basis is based on the same process at each subsequent period end with the results of each revaluation recognized as a gain or loss on RSU liability in finance expenses.

As of June 30, 2026, a total of 7,307,690 RSUs were granted to directors, officers, and employees of the Company. For the three and six months ended June 30, 2026, the Company recognized $330,000 and $398,000, respectively, in stock-based compensation expense in relation to the vesting RSUs (three and six months ended June 30, 2025 - $384,000). Furthermore, the Company recognized losses of $154,000 and $168,000 in finance expense on revaluation of the existing RSU liability for the three and six months ended June 30, 2026 (June 30, 2025 - $nil). As at June 30, 2026, the balance of the RSU liability was $1.2 million (June 30, 2025 - $384,000).

7. MARKETABLE SECURITIES

The Company maintains ownership of 18,925,000 common shares of EMP Metals Corp. (“EMP”), a public entity which trades on the Canadian Securities Exchange under the trading symbol “EMPS”. The EMP common shares are subject to escrow provisions under which 50% of the EMP common shares are to be released from escrow in September 2026 and the remaining 50% are to be released from escrow in September 2027. The EMP common shares are accounted for as a financial asset and are measured at fair value through profit or loss at each period end. As of June 30, 2026, these marketable securities had an assessed fair value of $11.4 million (December 31, 2025 - $9.2 million), resulting in an unrealized loss of $1.5 million and an unrealized gain of $2.2 million for the three and six months ended June 30, 2026, respectively (unrealized losses of $1.0 and $4.0 million for the three and six months ended June 30, 2025, respectively).

8. CREDIT FACILITY

As of June 30, 2026, the Company maintained a $1.5 million credit facility with a chartered bank for issuing letters of credit/guarantees for general corporate purposes (the “Credit Facility”). Periodic reviews of the Credit Facility occur semi-annually on or before June 30 and November 30 of each year. The Credit Facility bears issuance fees on issued letters of credit/guarantees equal to an annual rate of 2.75% for the time period issued during the calendar year against the face value of each letter of credit/guarantees. The Credit Facility is secured by a floating charge debenture on the assets of the Company. The bank may cancel the availability of the Credit Facility at any time without prior notice or demand, acting in its sole discretion.

The Company is required to maintain certain covenants throughout the term of the Credit Facility, as follows:

- Make expenditures toward asset retirement and abandonment and reclamation liabilities each fiscal year to the extent necessary to remain compliant with provincial, federal, and/or energy industry regulator requirements.
- Maintain a minimum adjusted working capital ratio (as defined in the lending agreement) of 1.00. As of June 30, 2026, the Company’s adjusted working capital ratio was 1.84.

As at June 30, 2026, the Company was compliant with all restrictions and covenants for the Credit Facility.

9. REVENUE

The following table presents the Company’s oil and natural gas revenue disaggregated by product type for the three and six months ended June 30, 2026 and 2025:

	Three months ended		**Six months ended**	
($000s)	**2026**	**2025**	**2026**	**2025**
Oil sales	18,082	14,125	31,649	31,640
NGL sales	1,990	1,241	3,263	3,092
Natural gas sales	926	1,275	1,960	2,889
Total	**20,998**	**16,641**	**36,872**	**37,621**

As at June 30, 2026, receivables from contracts with customers, which are included in accounts receivable, were $6.2 million (December 31, 2025 - $4.6 million).

10. NET FINANCE EXPENSE

The components of net finance expense for the three and six months ended June 30, 2026 and 2025, are as follows:

	Three months ended		Six months ended	
($000s)	2026	2025	2026	2025
Interest income	(17)	(6)	(34)	(7)
Interest expenses and bank charges	12	50	19	57
Debt interest expense	-	77	-	241
RSU liability revaluation loss	154	-	168	-
Lease liability interest expense	6	8	12	17
Accretion on debt	-	-	-	26
Accretion on decommissioning obligations	463	511	915	922
Total	**618**	**640**	**1,080**	**1,256**

11. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from the Company's receivables from joint operations partners and petroleum and natural gas customers.

In determining the recoverability of trade and other receivables, the Company considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to the Company. The maximum exposure to credit risk for accounts receivable and accruals, net of expected credit loss at the reporting date by type of customer was:

Carrying Amount ($000s)	**June 30, 2026**	**December 31, 2025**
Oil and natural gas customers	6,212	4,619
Joint operations partners	1,626	1,861
Accruals and other	485	195
Total	**8,323**	**6,675**

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and accrued receivables. The expected credit losses below also incorporate forward looking information.

Aging ($000s)	**June 30, 2026**	**December 31, 2025**
0 - 30 days	5,553	4,984
30 - 90 days	1,952	101
Greater than 90 days	1,046	1,912
Expected credit loss	(228)	(322)
Total	**8,323**	**6,675**

The Company considers amounts outstanding greater than 90 days to be at greater risk of being uncollectible, unless circumstances on particular balances provide certainty of collection. Receivables normally collectible within 30 to 60 days can take longer as information requests and timing can come into effect in dealing with receivables from joint venture partners. At June 30, 2026, there were $0.2 million in receivables which were considered uncollectible (December 31, 2025 - $0.3 million).

Liquidity risk

The table below outlines the contractual maturities of the Company's financial liabilities as at June 30, 2026:

($000s)	**Less than 1 year**	**1-2 years**	**Thereafter**	**Total**
Accounts payable	12,411	-	-	12,411
Lease obligations [1]	154	139	111	404
	12,565	**139**	**111**	**12,815**

(1) Reflects timing of lease payments on existing lease obligations

Commodity price risk

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather and economic and geopolitical factors.

The Company manages risk associated with the changes in commodity prices by entering into a variety of risk management contracts. The Company assesses the effects of movement in commodity prices on income before tax.

The Company also enters into physical delivery sales contracts to manage commodity risk. These contracts are considered normal executory sales contracts and are not recorded at fair value in the financial statements. As of June 30, 2026, the Company has the following physical delivery sales contracts outstanding:

Type of Contract	**Quantity**	**Period**	**Contract Price (C$)[1]**
Physical Contracts - WTI Crude	200 bbl/d	Q3 2026	$109.28/bbl

(1) Prices reported are the average price for the period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The majority of the Company's administrative and operational costs will be based and paid in CAD.

The Company is exposed to the risk of fluctuations in foreign exchange rates between the Canadian dollar and the US dollar given the risk of changes in the USD/CAD exchange rate on crude oil sales based on USD benchmark prices.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. Fluctuations of interest rates for the six months ended June 30, 2026, would not have a significant impact on the Company's cash flows given the Credit Facility is subject to fixed interest rates.

Fair value of financial instruments

The Company's financial instruments as at June 30, 2026, include, accounts receivable, deposits, accounts payable and accrued liabilities, risk management contracts, marketable securities, and debt.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in accordance with the following hierarchy:

> ***Level 1*** - inputs are based on quoted market prices in active markets that the Company has the ability to access at the measurement date.
>
> ***Level 2*** - inputs are based on quoted prices in the markets that are not active or based on prices that are observable for the asset or liability.
>
> ***Level 3*** - inputs are based on unobservable market data for the asset or liability.

The Company aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. The fair value measurement of the marketable securities have a fair value hierarchy of Level 1. The fair value measurement of the risk management contracts and debt have a fair value hierarchy of Level 2.

The fair values of financial derivatives are recurring measurements and are determined whenever possible based on observable market data. If not available, the Company uses third party models and valuation methodologies that utilize observable market data including forward benchmark commodity prices, forward interest rates and forward foreign exchange rates to estimate the fair value of financial derivatives. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. The valuation technique used has not changed in the period.

Capital management

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations and potential strategic transactions for the foreseeable future. The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

The Company monitors leverage and adjusts its capital structure based on its net surplus level. Net surplus is defined as the principal amount of its outstanding long-term obligations less adjusted working capital. In order to facilitate the management of its net surplus, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

($000s)	June 30, 2026	December 31, 2025
Cash and cash equivalents	13,786	5,744
Accounts receivable	8,323	6,675
Prepaids and deposits	215	220
Current portion of risk management contracts	-	141
Accounts payable and accrued liabilities	(12,411)	(8,154)
Adjusted working capital [(1)]	**9,913**	**4,626**
Less: lease obligations [(2)]	(404)	(324)
Net surplus	**9,509**	**4,302**

(1) Calculation of adjusted working capital excludes current portion of lease liabilities, decommissioning obligations, RSU liabilities and assets and liabilities held for sale as presented on the statement of financial position. The mark-to-market fair value of the current portion of risk management contracts is included within adjusted working capital.

(2) Represents undiscounted face value of debt balances and lease obligations outstanding as of each respective date presented.

The Company regularly monitors its capital structure and, as necessary, adjusts to changing economic circumstances and the underlying risk characteristics of its assets in order to meet current and upcoming obligations and investments by the Company. The Company frequently reviews alternate financing options and arrangements to meet its current and upcoming commitments and obligations.

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence in order to sustain the future development of the business. The Company’s share capital is not subject to external restrictions with the exception of lender approval on payment of dividends.

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the periods ended June 30	Three months ended		Six months ended	
($000s)	2026	2025	2026	2025
Accounts receivable	655	1,463	(1,648)	3,207
Prepaids and deposits	280	187	5	(544)
Accounts payable and accrued liabilities	3,714	(1,124)	4,257	(6,319)
Change in non-cash working capital	**4,649**	**526**	**2,614**	**(3,656)**
Relating to:				
Operating activities	4,274	519	2,260	(3,593)
Investing activities	375	7	354	(63)
Change in non-cash working capital	**4,649**	**526**	**2,614**	**(3,656)**

13. ASSETS HELD FOR SALE

In June 2026, the Company entered into an asset purchase and sale agreement with an arms length third party for the disposition of certain non-core assets located in Southeast Saskatchewan for cash consideration of $8 million, subject to customary closing adjustments. The Transaction had an effective date of June 1, 2026 and closed July 31, 2026.

Due to the transaction described above, the Company maintains assets and liabilities associated with these developed petroleum and natural gas properties as “held for sale” as at June 30, 2026. This classification consists of D&P of $8.5 million to current assets held for sale and decommissioning obligations of $3.2 million to current liabilities held for sale. The assessed fair value of these net assets less costs to sell is $8.0 million. Given the fair value less costs to sell exceeds the net carrying amount, no impairment loss is recognized as a result of this classification.