

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in United States dollars)

Nine month period ended September 30, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Entrée Resources Ltd. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2026 and December 31, 2025 (Unaudited)

(expressed in thousands of U.S. dollars, except where indicated)

	Note	September 30, 2026	December 31, 2025
Assets			
Current assets			
Cash and cash equivalents		**$ 2,528**	$ 4,325
Receivables and prepaid expenses		**132**	136
Prepaid licence fees		**198**	112
Deposits		**12**	12
		2,870	4,585
Non-current assets			
Mineral property, right-of-use assets and equipment	3	**2,143**	1,345
Oyu Tolgoi assets	4	**475**	460
		2,618	1,805
Total assets		**$ 5,488**	$ 6,390
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	**$ 203**	$ 284
Current portion of lease liabilities	5	**128**	111
		331	395
Non-current liabilities			
Lease liabilities	5	**58**	146
Loan payable to Oyu Tolgoi LLC	6	**23,837**	20,997
Deferred revenue	7	**68,237**	66,563
		92,132	87,706
Total liabilities		**92,463**	88,101
Shareholders' deficiency			
Share capital	8	**191,986**	191,342
Reserves		**24,549**	24,575
Accumulated other comprehensive income		**6,185**	3,200
Deficit		**(309,695)**	(300,828)
Total shareholders' deficiency		**(86,975)**	(81,711)
Total liabilities and shareholders' deficiency		**$ 5,488**	$ 6,390

Nature of operations (Note 1)

Commitments and contingencies (Note 10)

Subsequent events (Note 12)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three and nine months ended September 30, 2026 and 2025 (Unaudited)

(expressed in thousands of U.S. dollars, except where indicated)

	Note	Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Expenses					
Project expenditures		**$ 147**	$ 187	**$ 372**	$ 459
General and administrative		**499**	401	**1,449**	1,354
Share-based compensation		**319**	-	**418**	-
Depreciation		**27**	26	**83**	83
Operating loss		**992**	614	**2,322**	1,896
Foreign exchange (gain) loss		**(50)**	640	**723**	(126)
Interest income		**(26)**	(49)	**(88)**	(145)
Interest expense	6	**194**	178	**549**	523
Loss from equity investee	4	**186**	616	**1,295**	1,327
Finance costs		**5**	7	**17**	24
Deferred revenue finance costs	7	**1,369**	1,254	**4,049**	3,643
Loss for the period		**2,670**	3,260	**8,867**	7,142
Other comprehensive loss (income)					
Foreign currency translation		**101**	(1,488)	**(2,985)**	2,359
Total comprehensive loss		**$ 2,771**	$ 1,772	**$ 5,882**	$ 9,501
Net loss per common share					
Basic and fully diluted		**$ (0.01)**	$ (0.02)	**$ (0.04)**	$ (0.03)
Weighted average number of common shares outstanding					
Basic and fully diluted (000's)		**209,169**	207,589	**208,825**	207,236
Total common shares issued and outstanding (000's)	8	**209,313**	207,901	**209,313**	207,901

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the nine months ended September 30, 2026 and 2025 (Unaudited)

(expressed in thousands of U.S. dollars, except where indicated)

	Note	Number of Shares (000's)	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at December 31, 2025		208,572	$ 191,343	$ 24,574	$ 3,200	$ (300,828)	$ (81,711)
Loss and comprehensive income		**-**	**-**	**-**	**2,985**	**(8,867)**	**(5,882)**
Share-based compensation	8	**-**	**-**	**418**	**-**	**-**	**418**
Issuance of share capital – option exercise	8	**398**	**330**	**(130)**	**-**	**-**	**200**
Issuance of share capital – deferred share units	8	**343**	**313**	**(313)**	**-**	**-**	**-**
Balance at September 30, 2026		**209,313**	**$ 191,986**	**$ 24,549**	**$ 6,185**	**$ (309,695)**	**$ (86,975)**

	Note	Number of Shares (000's)	Share capital	Reserves	Accumulated other comprehensive (loss) income	Deficit	Total
Balance at December 31, 2024		204,799	$ 187,238	$ 23,252	$ 6,832	$ (288,629)	$ (71,307)
Loss and comprehensive loss		**-**	**-**	**-**	**(2,359)**	**(7,142)**	**(9,501)**
Issuance of share capital – private placement		**2,578**	**3,598**	**331**	**-**	**-**	**3,929**
Issuance of share capital – option exercise		**524**	**349**	**(112)**	**-**	**-**	**237**
Balance at September 30, 2025		**207,901**	**$ 191,185**	**$ 23,471**	**$ 4,473**	**$ (295,771)**	**$ (76,642)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Entrée Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2026 and 2025 (Unaudited)

(expressed in thousands of U.S. dollars, except where indicated)

	Note	September 30, 2026	September 30, 2025
Cash flows used in operating activities			
Net loss		**$ (8,867)**	$ (7,142)
Items not affecting cash:			
Depreciation		**83**	83
Share-based compensation	8	**418**	-
Loss from equity investee	4	**1,295**	1,327
Interest expense	6	**549**	523
Finance cost, net		**17**	34
Unrealized foreign exchange loss (gains)		**738**	(371)
Deferred revenue finance costs	7	**4,049**	3,643
		(1,718)	(1,903)
Changes in non-cash operating working capital:			
Decrease in receivables and prepaids		**4**	257
(Decrease) increase in accounts payable and accrued liabilities		**(81)**	33
		(1,795)	(1,613)
Cash flows from financing activities			
Repayment of lease liability	5	**(93)**	(95)
Proceeds from issuance of common shares – share options		**201**	238
Proceeds from issuance of common shares – private placement		**-**	3,974
Share issuance costs – private placement		**-**	(45)
		108	4,072
(Decrease) increase in cash and cash equivalents		**(1,687)**	2,459
Cash and cash equivalents - beginning of the period		**4,325**	2,378
Effect of exchange rate changes on cash and cash equivalents		**(110)**	108
Cash and cash equivalents - end of the period		**$ 2,528**	$ 4,945
Cash and cash equivalents is represented by:			
Cash		**$ 2,330**	$ 4,757
Cash equivalents		**198**	188
Total cash and cash equivalents		**$ 2,528**	$ 4,945
Supplemental non-cash information			
Capitalized development costs included in loan payable		**$ 1,873**	$ 1,104

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1 Nature of operations

Entrée Resources Ltd., together with its subsidiaries (collectively referred to as the "Company" or "Entrée"), is focused on the development and exploration of mineral property interests. The Company is principally focused on its Entrée/Oyu Tolgoi JV Property in Mongolia (Note 4).

The Company has its primary listing in Canada on the Toronto Stock Exchange ("TSX") and its common shares also trade in the United States on the Over-the-Counter OTCQB Venture Market ("OTCQB") under the symbol "ERLFF".

The Company's registered office is at Suite 2900, 550 Burrard Street, Vancouver, BC, V6C 0A3, Canada.

All amounts are expressed in United States dollars, except for certain amounts denoted in Canadian dollars ("C$").

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company estimates it has adequate financial resources to satisfy its obligations over the next 12 month period.

2 Basis of presentation

The Company prepares its condensed consolidated interim financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Reporting Interpretations Committee ("IFRIC"). These should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2025 ("annual financial statements"). The accounting policies and critical estimates applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements, unless otherwise stated.

The condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on November 5, 2026.

3 Mineral property, right-of-use assets and equipment

Included in mineral property are capitalized mineral property development costs on the first lift ("Lift 1") of the Oyu Tolgoi underground block cave mining operation on the Entrée/Oyu Tolgoi JV Property (see Note 4).

Development Costs

The application of the Company's accounting policy for the capitalization of mineral property development costs required determination that key development milestones have been achieved. These milestones include obtaining sufficient financial resources, permits, and licences to develop the mineral property. The Company considered the start of development activities on Lift 1 of the Oyu Tolgoi underground block cave mining operation on the Entrée/Oyu Tolgoi JV Property as having achieved the development milestones. Accordingly, the Company began capitalizing the Lift 1 development costs incurred on the Hugo North Extension deposit on the Entrée/Oyu Tolgoi JV Property beginning in October 2024.

As at September 30, 2026, included in the mineral property, right-of-use assets and equipment balance on the condensed consolidated interim statement of financial position, is $2.0 million of capitalized mineral property development costs (December 31, 2025 – $1.1 million).

4 Oyu Tolgoi assets

Entrée/Oyu Tolgoi JV Property

The Company has a carried 20% participating joint venture interest in two of the Oyu Tolgoi project deposits, and a carried 20% or 30% participating joint venture interest (depending on the depth of mineralization) in the surrounding land package located in the South Gobi region of Mongolia (the "Entrée/Oyu Tolgoi JV Property"). The Entrée/Oyu Tolgoi JV Property comprises the Shivee Tolgoi mining licence, which hosts the Hugo North Extension copper-gold deposit, and the Javkhlant mining licence, which hosts the majority of the Heruga copper-gold-molybdenum deposit. The Shivee Tolgoi and Javkhlant mining licences (together, the "Licences") were granted by the Mineral Resources and Petroleum Authority of Mongolia ("MRPAM") in October 2009. Title to the Licences is currently held by the Company pending transfer to the Company's joint venture partner Oyu Tolgoi LLC ("OTLLC").

In October 2004, the Company entered into an arm's-length Equity Participation and Earn-In Agreement with Turquoise Hill Resources Ltd. ("Turquoise Hill"), as amended in November 2004 (the "Earn-In Agreement"). Under the Earn-In Agreement, Turquoise Hill agreed to purchase equity securities of the Company and was granted the right to earn an interest in the Entrée/Oyu Tolgoi JV Property. Most of Turquoise Hill's rights and obligations under the Earn-In Agreement were assigned by Turquoise Hill to what was then its wholly-owned subsidiary, OTLLC. The Government of Mongolia subsequently acquired a 34% interest in OTLLC from Turquoise Hill.

On September 30, 2008, OTLLC gave notice that it had completed its earn-in obligations by expending a total of $35 million on exploration of the Entrée/Oyu Tolgoi JV Property. OTLLC earned an 80% participating interest in all minerals extracted below a sub-surface depth of 560 metres from the Entrée/Oyu Tolgoi JV Property and a 70% participating interest in all minerals extracted from surface to a depth of 560 metres from the Entrée/Oyu Tolgoi JV Property. In accordance with the Earn-In Agreement, the Company and OTLLC formed a joint venture (the "Entrée/Oyu Tolgoi JV") which operates under a Joint Venture Agreement with an effective date of June 30, 2008, as amended on February 3, 2025 (the "JVA").

The conversion of the original Shivee Tolgoi and Javkhlant exploration licences into mining licences was a condition to the 2009 Investment Agreement (the "Oyu Tolgoi Investment Agreement") between Turquoise Hill, OTLLC, the Government of Mongolia and Rio Tinto International Holdings Limited taking effect. The Licences are part of the contract area covered by the Oyu Tolgoi Investment Agreement, although the Company is not a party to the Oyu Tolgoi Investment Agreement. The Licences were each issued for a 30 year term and have rights of renewal for two further 20 year terms.

The JVA requires OTLLC, as Manager, to hold title to the Licences on behalf of the Entrée/Oyu Tolgoi JV participants. OTLLC also has the exclusive right under the Oyu Tolgoi Investment Agreement to hold the Licences and to construct and operate infrastructure, conduct mineral exploration, and conduct the operations of mining and processing in the area of the Licences. On February 5, 2025, the Company and OTLLC duly executed and delivered License Transfer Agreements (the "License Transfer Agreements") to govern the transfer of title to the Licences to OTLLC on behalf of the Entrée/Oyu Tolgoi JV participants.

The Company and OTLLC lodged the License Transfer Agreements and supporting documentation with the Mongolian tax authority ("MTA") for the assessment of tax on the transfer of the Licences in accordance with applicable laws of Mongolia. Corporate income tax at a rate of 10% of the value of the Licences (with certain deductions allowed) must be paid and a tax payment certificate provided by the MTA as part of the documentation required to be submitted to the MRPAM for registration of the transfer of the Licences. The Company and OTLLC actively engaged with the MTA and provided all materials necessary for the MTA to confirm the calculations of the values of the Licences, prior to the payment of tax. No confirmation was received from the MTA within the timeframe prescribed by law.

In August 2025, the Company filed a claim with the Administrative Court of Mongolia seeking an order for the MTA to review and confirm the calculations of values of the Licences in accordance with applicable laws of Mongolia. At the Court hearing, the MTA argued there is no provision under applicable laws allowing taxpayers to wait for the MTA to confirm the calculations of the values of the Licences prior to the payment of tax. On March 24, 2026, the Company requested a withdrawal of the claim and advised the Court the Entrée/Oyu Tolgoi JV would resubmit the request for the MTA to confirm the calculations of the values of the Licences after paying the relevant corporate income taxes.

Following payment of the relevant corporate income taxes (which is for the account of the Entrée/Oyu Tolgoi JV, with OTLLC contributing on behalf of the Company its required participation amount (Note 6)), the Company resubmitted to the

MTA a request for review of the valuation calculations for the Licences. The MTA subsequently notified the Company it considers the documents and materials submitted in support of the Company's request to be incomplete, and it is therefore not possible for the MTA to issue tax payment certificates. As such, the Licences have not yet been transferred to OTLLC.

As of September 30, 2026, the Entrée/Oyu Tolgoi JV had expended approximately $81.9 million (December 31, 2025 - $78.4 million) to advance the Entrée/Oyu Tolgoi JV Property. Under the terms of the JVA, OTLLC contributed on behalf of the Company its required participation amount charging interest at prime plus 2% (Note 6). As of September 30, 2026, OTLLC has contributed on Entrée's behalf the required cash participation amount equal to 20% of the $81.9 million incurred to date, plus accrued interest at prime plus 2%, for a total of $23.8 million.

Investment – Entrée/Oyu Tolgoi JV Property

For accounting purposes, the Company treats its interest in the Entrée/Oyu Tolgoi JV as a 20% equity investment. Historically, all Company expenditures related to its interest in the Entrée/Oyu Tolgoi JV have been expensed as incurred through the statement of comprehensive loss or recognized as part of the Company's share of the loss of the joint venture.

Beginning in October 2024, the Company has capitalized expenditures relating to development costs for Hugo North Extension Lift 1 on the Entrée/Oyu Tolgoi JV Property (Note 3).

The Entrée/Oyu Tolgoi JV investment carrying value at September 30, 2026 was $0.5 million (December 31, 2025 - $0.5 million) and was recorded in Oyu Tolgoi assets in the statement of financial position. The joint venture has nominal current assets and liabilities, $0.5 million of non-current assets and $81.9 million of non-current liabilities. Included in Mineral property, right-of-use asset and equipment was $2.0 million (December 31, 2025 - $1.1 million) of Hugo North Extension Lift 1 development costs. The Company's share of the loss of the joint venture was $1.3 million for the nine-month period ended September 30, 2026 (September 30, 2025 - $1.3 million).

5 Leases

Lease liability

	September 30, 2026	December 31, 2025
Lease liability	**$ 133**	$ 257
Less: current portion	**(128)**	(111)
Long-term portion	**$ 58**	$ 146

Undiscounted lease payments

	September 30, 2026	December 31, 2025
Less than one year	**$ 124**	$ 126
One to five years	**10**	105
	$ 134	$ 231

Interest expense on the lease liability amounted to $0.02 million for the nine-month period ended September 30, 2026 (2025 - $0.02 million). During the nine-month period ended September 30, 2026, lease payments made amounted to $0.09 million (2025 - $0.09 million).

6 Loan payable to Oyu Tolgoi LLC

Under the terms of the JVA (Note 4), Entrée has elected to have OTLLC contribute funds to approved joint venture programs and budgets on the Company's behalf. Interest on each loan advance shall accrue at an annual rate equal to OTLLC's actual

cost of capital or the prime rate of the Royal Bank of Canada, plus two percent (2%) per annum, whichever is less, as at the date of the advance. The loan is non-recourse and will be repayable by the Company monthly from ninety percent (90%) of the Company's share of available cash flow from the Entrée/Oyu Tolgoi JV. In the absence of available cash flow, the loan will not be repayable. The loan is not expected to be repaid within one year.

During the nine-month period ended September 30, 2026, the Company recorded interest expense of $0.5 million in connection with the loan (2025 - $0.5 million).

7 Deferred revenue

On October 20, 2025, Royal Gold, Inc. ("Royal Gold") announced the closing of its previously announced acquisition of Sandstorm Gold Ltd. ("Sandstorm") through its wholly owned Canadian subsidiary International Royalty Corporation ("IRC"). Subsequently, Royal Gold, IRC and Sandstorm undertook an internal corporate reorganization whereby, among other things, Sandstorm amalgamated with and into IRC. As a result, all property, rights, and obligations of Sandstorm (including the Amended Funding Agreement (as defined below)) vested, by operation of law, in IRC.

In February 2013, the Company entered into an equity participation and funding agreement (the "2013 Agreement") with Sandstorm (hereinafter referred to as IRC) whereby IRC provided an upfront deposit (the "Deposit") of $40.0 million. The Company will use future payments that it receives from its mineral property interests to purchase and deliver metal credits to IRC, in amounts that are indexed to the Company's share of gold, silver and copper production from a portion of the Entrée/Oyu Tolgoi JV Property. Upon the delivery of metal credits, IRC will also make the cash payment outlined below. In addition, the 2013 Agreement provided for a partial refund of the Deposit and a pro rata reduction in the number of metal credits deliverable to IRC in the event of a partial expropriation of the Company's economic interest, contractually or otherwise, in the Entrée/Oyu Tolgoi JV Property.

On February 23, 2016, the Company and IRC entered into an Agreement to Amend, whereby the Company refunded 17% of the Deposit ($6.8 million) (the "Refund") in cash and shares thereby reducing the Deposit to $33.2 million for a 17% reduction in the metal credits that the Company is required to deliver to IRC. At closing on March 1, 2016, the parties entered into an Amended and Restated Equity Participation and Funding Agreement (the "Amended Funding Agreement"). Under the terms of the Amended Funding Agreement, the Company will purchase and deliver gold, silver and copper credits equivalent to:

- 28.1% of the Company's share of gold and silver, and 2.1% of the Company's share of copper, produced from the Shivee Tolgoi mining licence (excluding the western portion of the Shivee Tolgoi mining licence); and
- 21.3% of the Company's share of gold and silver, and 2.1% of the Company's share of copper, produced from the Javkhlant mining licence.

Upon the delivery of metal credits, IRC will make a cash payment to the Company equal to the lesser of the prevailing market price and $220 per ounce of gold, $5 per ounce of silver and $0.50 per pound of copper (subject to inflation adjustments). After approximately 8.6 million ounces of gold, 40.3 million ounces of silver and 9.1 billion pounds of copper have been produced from the Entrée/Oyu Tolgoi JV Property the cash payment will be increased to the lesser of the prevailing market price and $500 per ounce of gold, $10 per ounce of silver and $1.10 per pound of copper (subject to inflation adjustments). To the extent that the prevailing market price is greater than the amount of the cash payment, the difference between the two will be credited against the Deposit (the net amount of the Deposit being the "Unearned Balance").

Under the Amended Funding Agreement, IRC has a right of first refusal, subject to certain exceptions, on future production-based funding agreements. The Amended Funding Agreement also contains other customary terms and conditions, including representations, warranties, covenants and events of default. The initial term of the Amended Funding Agreement is 50 years, subject to successive 10-year extensions at the discretion of IRC.

In addition, the Amended Funding Agreement provides that the Company will not be required to make any further refund of the Deposit if the Company's economic interest is reduced by up to and including 17%. If there is a reduction of greater than 17% up to and including 34%, the Amended Funding Agreement provides the Company with the ability to refund a corresponding portion of the Deposit in cash or common shares of the Company or any combination of the two at the Company's election, in which case there would be a further corresponding reduction in deliverable metal credits. If the

Company elects to refund IRC with common shares of the Company, the value of each common share shall be equal to the volume weighted average price for the five (5) trading days immediately preceding the 90th day after the reduction in the Company's economic interest. In no case will IRC become a "control person" under the Amended Funding Agreement. In the event an issuance of shares would cause IRC to become a "control person", the maximum number of shares will be issued, and with respect to the value of the remaining shares, 50% will not be refunded (and there will not be a corresponding reduction in deliverable metal credits) and the remaining 50% will be refunded by the issuance of shares in tranches over time, such that the number of shares that IRC holds does not reach or exceed 20%. All shares will be priced in the context of the market at the time they are issued.

In the event of a full expropriation, the remainder of the Unearned Balance after the foregoing refunds must be returned in cash.

For accounting purposes, the Deposit is accounted for as deferred revenue on the statement of financial position and the original Deposit was recorded at the historical amount of C$40.0 million. As a result of the Amended Funding Agreement, the deferred revenue amount was adjusted to reflect the $6.8 million Refund which was recorded at the foreign exchange amount at the date of the Refund resulting in a net balance of C$30.9 million. This amount is subject to foreign currency fluctuations upon conversion to U.S. dollars at each reporting period.

The $6.8 million Refund was paid with $5.5 million in cash and the issuance of $1.3 million of common shares of the Company. On March 1, 2016, the Company issued 5,128,604 common shares to IRC at a price of C$0.3496 per common share pursuant to the Agreement to Amend.

The Deposit contains a significant financing component and, as such, the Company recognizes a financing charge at each reporting period and grosses up the deferred revenue balance to recognize the significant financing element that is part of this contract at a discount rate of 8%. For the nine-month period ended September 30, 2026, the deferred revenue finance costs totaled $4.0 million (2025 - $3.6 million).

8 Share capital

a) Common shares

The Company's authorized share capital consists of unlimited common shares without par value. At September 30, 2026, the Company had 209,312,598 (December 31, 2025 – 208,571,894) shares issued and outstanding.

b) Private placement

In January 2025, the Company closed a non-brokered private placement issuing 2,577,700 units at a price of C$2.21 per unit for gross proceeds of C$5.7 million. Each unit consists of one common share of the Company and one-half of one non-transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of C$3.00 per share for a period of 2 years. No finders' fees were paid in connection with the private placement.

c) Share options

The Company provides share-based compensation to its directors, officers, employees, and consultants through grants of share options.

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares of the Company. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing share price on the TSX on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Under the Plan, an option holder may elect to terminate an option, in whole or in part and, in lieu of receiving shares to which the terminated option relates (the "Designated Shares"), receive the number of shares, disregarding fractions, which, when multiplied by the weighted average trading price of the shares on the TSX during the five trading days immediately preceding the day of termination (the "Fair Value" per share) of the Designated Shares, has a total dollar value equal to the

number of Designated Shares multiplied by the difference between the Fair Value and the exercise price per share of the Designated Shares.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the share options. Since the Company has not paid and does not anticipate paying dividends on its common shares, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of nil in determining the expense recorded in profit or loss.

As at September 30, 2026, 3,326,154 share options were outstanding and 2,806,054 share options were exercisable (December 31, 2025 – 3,026,544 outstanding and exercisable) with an average weighted exercise price of C$1.60 (December 31, 2025 – C$1.24).

Share option transactions are summarized as follows:

	Number of share options (000's)	Weighted average exercise price C$
Outstanding – January 1, 2025	4,095	0.94
Granted	310	2.22
Exercised	(1,195)	0.56
Cancelled	(183)	0.51
Outstanding – December 31, 2025	3,027	1.24
Granted	**735**	**2.63**
Exercised	**(398)**	**0.89**
Cancelled	**(38)**	**0.77**
Outstanding – September 30, 2026	**3,326**	**1.60**

At September 30, 2026, the following share options were outstanding:

Number of share options outstanding (000`s)	Number of share options exercisable (000`s)	Exercise price per share option C$	Expiry date
214	214	0.77	Dec 2026
1,646	1,646	0.7 – 2.22	April - Nov 2027
382	382	1.28	Nov 2028
160	160	2.06	Nov 2029
190	190	2.22	Nov 2030
100	75	2.09	Dec 2030
100	50	2.40	June 2031
434	39	2.86	July 2031
100	50	2.42	Aug 2031
3,326	2,806		

	September 30, 2026
Weighted average exercise price for exercisable options	**C$1.60**
Weighted average fair value for options exercised	**C$0.43**
Weighted average years to expiry for exercisable share options	**2.16 years**

For the nine months ended September 30, 2026, the share-based compensation charges relating to 734,610 shares options granted to directors and an officer was $0.3 million (2025 – nil).

The weighted average fair value at date of grant for the options granted during the nine months ended September 30, 2026 was C$1.18 (2025 – n/a). The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

	2026	2025
Risk-free interest rate	**3.08%**	n/a
Expected life of options (years)	**5.0**	n/a
Expected volatility	**45.8%**	n/a
Expected dividend	**0.00%**	n/a

d) **Share purchase warrants**

As at September 30, 2026, the following warrants were outstanding:

Number of share purchase warrants	Exercise price C$	Expiry date
1,288,850	3.00	January 23, 2027

e) **Deferred share units**

Deferred share units ("DSUs") are granted to the Company's directors and executives as a part of compensation under the terms of the Company's deferred share unit plan (the "DSU Plan"). DSUs vest when certain conditions as stated in the DSU Plan are met, except in the event of an earlier change of control, in which case, the DSUs will vest fully upon such change of control.

During the nine months ended September 30, 2026, the Company granted 69,930 DSUs (2025 – nil) to an officer and recorded share-based compensation of $0.1 million (2025 – $1.0 million) related to the DSUs.

At September 30, 2026, the following DSUs were outstanding and fully vested:

	Number of DSUs (000's)
Outstanding – December 31, 2025	3,638
Granted	70
Redeemed	(343)
Outstanding – September 30, 2026	**3,365**

Each vested DSU entitles the holder to receive one common share of the Company or a cash payment equivalent to the closing price of one common share of the Company on the TSX on the last trading day preceding the DSU's redemption date.

9 Financial instruments

a) **Fair value classification of financial instruments**

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents, receivables, deposits, accounts payable and accrued liabilities, loan payable and lease liabilities.

The carrying values of cash and cash equivalents, receivables, deposits and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity.

The following table summarizes the classification and carrying values of the Company's financial instruments at September 30, 2026:

	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash and cash equivalents	$ -	$ 2,528	$ -	$ 2,528
Receivables	-	27	-	27
Deposits	-	12	-	12
Total financial assets	$ -	$ 2,577	$ -	$ 2,577
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ -	$ 203	$ 203
Lease liabilities	-	-	186	186
Loan payable	-	-	23,837	23,837
Total financial liabilities	$ -	$ -	$ 24,226	$ 24,226

10 Commitments and contingencies

As at September 30, 2026, the Company had the following commitments:

	Total	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
Lease commitments	$ **134**	$ 124	$ 10	$ -	$ -

Under the terms of the Amended Funding Agreement, the Company may be subject to a contingent liability if certain events occur (Note 7).

11 Related party transactions

The Company's related parties include key management personnel and directors. Direct remuneration paid to the Company's directors and key management personnel during the nine-month periods ended September 30 are as follows:

		2026		2025
Directors' fees	**$**	**153**	$	147
Salaries and benefits	**$**	**668**	$	597
Share-based compensation	**$**	**418**	$	-

As of September 30, 2026, included in the accounts payable and accrued liabilities balance on the condensed consolidated interim statement of financial position is $0.02 million (December 31, 2025 - $0.05 million) due to the Company's directors and key management personnel.

Upon a change of control of the Company, amounts totaling $1.4 million (December 31, 2025 - $1.4 million) will become payable to certain officers and management personnel of the Company.

12 Subsequent events

Subsequent to September 30, 2026, the following transaction occurred:

- On November 4, 2026, the Company closed a non-brokered private placement issuing 12,485,300 units at a price of C$2.90 per unit for aggregate gross proceeds of C$36,207,370. Each unit consists of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one additional common share of the Company at a price of C$3.95 per share for a period of 3 years. In connection with the private placement, the Company paid to a registered investment dealer a fee of C$78,427.60 in cash, equal to 2% of aggregate gross subscription proceeds received by the Company from purchasers with accounts managed by the dealer.