

2025 Year-End Report From Klondike Royalties

Dear Partners,

As we close out 2025, I wanted to share a clear and very positive update on the Kitchen Lights Unit (“KLU”), with particular emphasis on the North Block, where our investment is concentrated, and how the work completed to date directly supports the development of our acreage.

Operational Progress Supporting North Block Development

The State of Alaska has approved the 12th Plan of Development, marking another important step forward for the unit. Production performance during 2025 was encouraging, with meaningful year-over-year increases and continued reliability as a key natural gas supplier in South central Alaska.

More importantly for our investment, the operator has executed a deliberate and highly strategic sequence of work designed to unlock future development, including the North Block:

- Four new wells were drilled and placed on production through recent drilling campaigns.
- Additional conductors were installed to support future drilling activity.
- The Julius R platform was expanded from 6 to 12 well slots.
- A new production manifold and multi-inlet line heater are being installed to accommodate higher well counts and throughput.

This work is not incidental. It represents the necessary infrastructure build-out required before meaningful North Block development could occur. The platform is transitioning from a constrained facility into a scalable development hub capable of supporting multi-well programs, including wells tied directly to our acreage.

Upcoming Drilling Activity

Looking ahead, the operator is tentatively planning four wells during the upcoming summer drilling season, and we currently anticipate that at least one of these wells will be drilled in our North Block acreage. While final well selection and sequencing remain subject to operational and regulatory considerations, this represents an important step toward converting years of preparatory work into tangible development on our investment.

Royalty Modification – Clarification for Investors

The State of Alaska recently approved a royalty modification that reduces Alaska’s effective royalty rate for an initial period. It is important to be clear that this reduction applies to the State’s royalty interest and **does not reduce or dilute our investment or**

working interest economics. From a project standpoint, **the royalty adjustment materially improves overall field economics, lowers breakeven costs, and extends the economic life of the unit.** This directly supports continued drilling and development activity — including in the North Block — without impacting on our ownership position.

Balance Sheet Strength and External Validation

The establishment of a line of credit with AIDEA (Alaska Industrial Development and Export Authority) further strengthens the project's financial footing. This financing provides flexibility for continued development and serves as a strong third-party validation of both the asset quality and operational execution.

Why the North Block Matters

The North Block represents the most meaningful undeveloped upside within the unit. Historically recognized for its geologic potential, it has never been systematically developed due to infrastructure, economic, and timing constraints. Those constraints are now being removed. With expanded platform capacity, improved economics, institutional financing, and an active drilling runway, the North Block is positioned to transition from concept to execution. The work completed to date has been intentional and foundational — setting the stage for development that directly supports our investment.

Big Picture

Kitchen Lights today is not a legacy asset in decline. It is a re-positioned, infrastructure-ready development project entering a new phase of execution. For us, the value proposition is straightforward: our capital is aligned with the North Block, and the field's recent progress has been building toward that opportunity.

I believe we are entering a materially more value-creative phase for our investment, and I look forward to keeping you updated as drilling plans firm up.

As always, please reach out if you'd like to discuss the North Block, upcoming wells, or next steps in more detail.

Best regards,

Shawn Bartholomae,
Managing Member