THIRD QUARTER 2026 INVESTOR UPDATE

Exploration Opportunity and Continued Investment Bring the North Block Into Focus

Dear Investors,

The third quarter brought an especially encouraging development for Klondike Royalties: John Hendrix identified the area between HEX's Allegra Leigh platform and Hilcorp's Tyonek platform as a priority for exploration. Combined with continued drilling, a serious rig acquisition effort, and the addition of the offshore supply vessel Atlantis, his comments give investors a compelling picture of HEX's direction.

"The Biggest Bang for the Buck"

During the September 10 joint House and Senate Resources Committee hearing, Senator Bill Wielechowski asked:

"On the exploration side, do you see—where do you think we could get the biggest bang for the buck on that? Is that exploration within Kitchen Lights? Are you talking about exploration in fields that haven't been leased out, or exploration on other properties owned by other companies or leased by other companies?"

Hendrix responded:

"I think there's potential between us and the Tionik platform, between us and Hilcorp. Is a potential that would be first looked at."

The transcript renders Tyonek as "Tionik." alaskanews.com

This is the quarter's most significant development for our investors. Klondike's approximately 15,930-acre royalty area lies within the North Block. Considered alongside the lease maps, Hendrix's geographic reference directs attention toward the broader area containing our acreage. We view that alignment as an encouraging expression of the operator's exploration priorities, with specific drilling locations and timing still to come. invest.klondikeroyalties.com

Pursuing the Rig Capacity to Explore

HEX has backed its growth ambitions with substantial work toward acquiring a jack-up rig. Earlier Petroleum News reporting described the company hiring a rig broker, traveling to Saudi Arabia and Singapore, commissioning specialist inspections, and preparing an offer before the selected rig's owner withdrew it from the market.

Those are concrete steps toward a major investment. September testimony reinforced their significance: CFO Mike Koy explained that additional offshore drilling capacity was needed to accommodate exploration alongside ongoing development work. alaskanews.com

The acquisition effort could give HEX greater scheduling flexibility and the capacity to pursue new targets while continuing to build production. For North Block investors, that is a particularly meaningful part of the company's strategy.

Atlantis Strengthens Offshore Drilling Support

HEX's purchase of **Atlantis, a 190-foot offshore supply vessel with a 4,515-square-foot cargo deck and dynamic positioning**, adds practical support for that growth. The vessel arrived carrying drilling supplies and is managed from Homer by Fortune Sea Management. mustreadalaska.com

Its large working deck provides space for pipe, casing, equipment, and secured supply loads, staged for transfer using appropriate dock, platform, or rig lifting equipment. Dynamic positioning helps the vessel maintain position during offshore operations—a capability Hendrix highlighted for deliveries in Cook Inlet's currents. alaskanews.com

During Q3, Atlantis entered active service supporting Allegra Leigh. For Klondike, its importance is straightforward: **future exploration needs both drilling equipment and dependable offshore supply support.** The vessel acquisition strengthens that support and complements HEX's pursuit of additional rig capacity.

Successive Drilling Campaigns Build Momentum

HEX's investment is accompanied by continued field activity. The A-1A sidetrack entered production in December 2024, followed by A-5 and A-6 in summer 2025. Petroleum News subsequently reported that production had doubled following the new wells.

The 2026 campaign continued that momentum. September reporting placed HEX approximately halfway through its second well, pursuing a third, with additional production expected in the fourth quarter. www.petroleumnews.com

Successive campaigns demonstrate sustained commitment and deepen the operator's experience with Kitchen Lights' geology, drilling conditions, and offshore logistics.

Development Plans and Investment Support Continued Growth

Kitchen Lights' 12th Plan of Development covers January 4, 2026, through January 3, 2027. DNR's conditional approval requires commitment to two new development wells from Allegra Leigh, connecting the current campaign directly to the unit's development obligations. www.petroleumnews.com

Prospect evaluation and platform improvements complement that drilling. Geological work helps identify future opportunities, while greater well-handling capacity supports continued development.

AIDEA's September announcement reported more than **$90 million in cumulative HEX investment**, with approximately **$50 million being invested during 2026**, alongside plans to roughly triple firm deliveries to ENSTAR beginning in April 2027. These commitments demonstrate the scale of the company's investment in its operating future.

What This Means for Klondike Royalties

The quarter's developments form an encouraging, connected story: **Hendrix identified an exploration priority relevant to our acreage, while HEX continued investing in the equipment, support, and operating capability needed for growth.**

The rig acquisition effort addresses drilling access. Atlantis strengthens offshore logistics. Successive drilling campaigns and infrastructure improvements demonstrate continued execution.

Our overriding royalty interests provide participation in production revenues from the covered acreage without bearing the associated drilling and operating costs. When successful wells on that acreage begin commercial production, those interests provide the basis for royalty revenues.

We look forward to further progress on rig capacity and specific North Block exploration commitments. The operator's stated priorities and continued investment give us meaningful reasons for encouragement as we follow the next stage of Kitchen Lights' development.

Sincerely,

Shawn E. Bartholomae
Managing Member
Klondike Royalties