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JX Energy Ltd.

(吉星新能源有限責任公司)*

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024**

This announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of JX Energy Ltd. is pleased to announce its unaudited condensed interim financial results for the three and nine months ended September 30, 2024.

The board (the “**Board**”) of directors (the “**Directors**”) of JX Energy Ltd. (the “**Company**”) is pleased to announce the unaudited condensed interim financial results of the Company for the three and nine months ended September 30, 2024 (the “**Interim Results**”) and its business updates. This announcement is issued by the Company pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Board and its Audit and Risk Committee have reviewed the Interim Results. Please see the attached announcement for further information.

By Order of the Board

JX Energy Ltd.

Yongtan Liu

Chairman and Interim Chief Executive Officer

Calgary, November 7, 2024

Hong Kong, November 8, 2024

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Yongtan Liu and Mr. Binyou Dai; and three independent non-executive Directors, namely Mr. Clement Ka Hai Hung, Mr. Zhanpeng Kong and Mr. Larry Grant Smith.

** For identification purpose only*



JX Energy Ltd.

(吉 星 新 能 源 有 限 責 任 公 司) *

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of JX Energy Ltd. have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

** For identification purpose only*

CONDENSED STATEMENT OF FINANCIAL POSITION

As at September 30, 2024

(Expressed in Canadian dollars)

Unaudited

	Note	As at September 30, 2024	As at December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents	4	153,458	363,305
Accounts receivable	5	56,647	825,963
Prepaid expenses and deposits		377,581	881,702
Total current assets		587,686	2,070,970
Exploration and evaluation assets	6	4,014,591	5,914,591
Property, plant and equipment	7	25,868,180	26,733,502
Right of use assets	8	341,082	788,566
Total Assets		30,811,539	35,507,629
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	62,238,265	9,155,025
Current portion of long-term payable	10	739,271	943,165
Current portion of long term debt	10	12,988,689	3,529,806
Current portion of lease liabilities	8	405,893	740,845
Decommissioning liabilities	11	821,820	821,820
Total current liabilities		21,193,938	15,190,661
Long-term accounts payable	10	18,006,427	12,343,492
Other liabilities	12	109,075	118,868
Lease liabilities	8	26,144	251,069
Long term debt	10	599,628	11,552,733
Decommissioning liabilities	11	1,675,877	1,550,791
Total liabilities		41,611,089	41,007,614
Shareholders' equity:			
Share capital	13	222,430,877	220,212,755
Convertible debt	13	2,238,636	—
Contributed surplus	13	14,825,639	13,091,943
Accumulated deficit		(250,294,702)	(238,804,683)
Total shareholders' equity		(10,799,550)	(5,499,985)
Total Liabilities and Shareholders' Equity		30,811,539	35,507,629
Going concern	3		
Commitments	21		

The accompanying notes form part of these condensed interim financial statements.

CONDENSED STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

Unaudited

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Revenue					
Commodity sales from production	14	252,350	3,951,287	3,794,348	10,383,195
Trading revenue (loss)	14	(1,815)	(372)	1,441	(22,060)
Other income	14	4,705	5,318	14,809	18,415
Royalty expense		(48,676)	(458,780)	(10,315)	(530,329)
Total net revenue		206,564	3,497,453	3,800,283	9,849,221
Expenses					
Operating costs		(3,169,232)	(3,702,361)	(10,142,837)	(10,217,619)
General and administrative costs		(314,001)	(263,804)	(1,150,770)	(1,150,219)
Depletion, depreciation and amortization	7, 8	(156,293)	(1,536,701)	(1,464,103)	(3,956,221)
Impairment recovery and write-offs		—	(4,958)	(18,694)	(56,829)
Total expenses		(3,639,526)	(5,507,824)	(12,776,404)	(15,380,888)
(Loss) income from operations		(3,432,962)	(2,010,371)	(8,976,121)	(5,531,667)
Finance expenses	15	(779,223)	(853,274)	(2,513,898)	(1,379,060)
(Loss) income before taxes		(4,212,185)	(2,863,645)	(11,490,019)	(6,910,727)
Realized FX gain/(loss)		—	958	—	(14,111)
Income taxes		—	—	—	—
Income (loss) and comprehensive income (loss)		(4,212,185)	(2,862,687)	(11,490,019)	(6,924,838)
(Loss) income per share					
Basic	17	(0.01)	(0.01)	(0.02)	(0.02)
Diluted	17	(0.01)	(0.01)	(0.02)	(0.02)

The accompanying notes form part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

Unaudited

	Note	Share Capital	Convertible Debt	Contributed Surplus	Accumulated Deficit	Total Equity
At January 1, 2024	13	220,212,755	–	13,091,943	(238,804,683)	(5,499,985)
Shares issued for cash		2,540,956	–	–	–	2,540,956
Allocation for shares issued above market value		(309,168)	–	309,168	–	–
Share issue costs		(13,666)	–	–	–	(13,666)
Share-based expenses		–	–	12,003	–	12,003
Convertible debt issued for cash		–	2,190,350	–	–	2,190,350
Accrued and unpaid interest		–	48,286	–	–	48,286
Fair value adjustment on shareholder loan		–	–	13,911	–	13,911
Fair value adjustment on long-term payable	10	–	–	1,398,614	–	1,398,614
Income for the period		–	–	–	(11,490,019)	(11,490,019)
As at September 30, 2024	13	<u>222,430,877</u>	<u>2,238,636</u>	<u>14,825,639</u>	<u>(250,294,702)</u>	<u>(10,799,550)</u>

	Note	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity
At January 1, 2023		219,802,889	647,034	5,886,146	(217,658,519)	8,677,550
Shares issued for cash		1,880,000	–	–	–	1,880,000
Allocation for shares issued above market value		(1,453,400)	–	1,453,400	–	–
Share issue costs		(16,734)	–	–	–	(16,734)
Share-based expenses		–	–	68,992	–	68,992
Warrant forfeit		–	(647,034)	647,034	–	–
Income for the period		–	–	–	(6,924,838)	(6,924,838)
At September 30, 2023		<u>220,212,755</u>	<u>–</u>	<u>8,055,572</u>	<u>(224,583,357)</u>	<u>3,684,970</u>

The accompanying notes form part of these condensed interim financial statements.

CONDENSED STATEMENT OF CASHFLOWS

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

Unaudited

	Note	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Cash provided by (used in):					
Operations					
Net income (loss)		(4,212,185)	(2,862,687)	(11,490,019)	(6,924,838)
Items not involving cash:					
Depletion, depreciation and amortization		156,293	1,536,701	1,464,103	3,956,221
Share-based expenses		4,001	(158,533)	12,003	(102,877)
Non-cash change in phantom units		(6,708)	78,640	(9,796)	–
Non-cash finance expenses		710,338	29,300	1,447,923	250,217
Unrealized foreign exchange loss (gain)		(102,448)	308,551	302,203	(235,814)
Impairment and write-offs		–	4,958	18,694	56,829
Funds from operations		(3,450,709)	(1,063,070)	(8,254,889)	(3,000,262)
Changes in non-cash working capital	4	2,374,330	1,438,872	5,067,029	5,727,639
Total cash from operations		(1,076,379)	375,802	(3,187,860)	2,727,377
Investing					
Sale of exploration and evaluation assets		–	–	1,900,000	–
Expenditures on property, plant and equipment		(115,519)	(73,273)	(186,490)	(209,135)
Expenditures on exploration and evaluation assets		(64,805)	(797,423)	(306,594)	(2,180,888)
Net cash (used in) investing		(180,324)	(870,096)	1,406,916	(2,390,023)
Financing					
Changes in subscriptions payable		–	–	(1,278,093)	–
Shares issued for cash, net of share issuance costs		–	1,863,266	2,527,290	1,863,266
Debenture proceeds received prior to issuance		(806,491)	–	754,283	–
Proceeds from debenture issuance		2,190,350	–	2,190,350	–
Proceeds from CIMC loan		–	–	–	4,802,315
Proceeds from shareholder loans		–	–	87,000	10,976,720
Repayment of shareholder loans		(254,941)	378,607	(1,449,441)	(17,687)
Principal portion of lease payments		(180,971)	(234,079)	(559,877)	(682,611)
Interest portion of lease payments		(21,447)	(43,672)	(66,377)	(125,338)
Repayment of term debt		(94,055)	(1,336,201)	(634,130)	(17,251,445)
Net cash (used in) financing		832,445	627,921	1,571,005	(434,780)
Increase (decrease) in cash and cash equivalents		(424,258)	133,027	(209,939)	(97,426)
Effect of exchange rate changes on cash and cash equivalents		39	(5,098)	92	1,345
Cash and cash equivalents, beginning of period		577,677	109,217	363,305	333,227
Cash and cash equivalents, end of period		153,458	237,146	153,458	237,146
Supplementary information:					
Interest paid		599,602	692,446	759,434	1,050,870

The accompanying notes form part of these condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars unless otherwise indicated)

Unaudited

1 CORPORATE INFORMATION

JX Energy Ltd., (the “**Company**” or “**JX**”) was incorporated in Calgary, Alberta, Canada under the Business Corporations Act (Alberta) in 2005. JX is an exploration and development company pursuing petroleum and natural gas production in Alberta, Canada. The Company’s registered office is located at 15th Floor, Bankers Court, 850-2nd Street SW, Calgary, Alberta, T2P 0R8, Canada, and its head office is located at Suite 900, 717-7th Avenue SW, Calgary, Alberta, T2P 0Z3, Canada.

Pursuant to an initial public offering on March 10, 2017, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and traded under the stock code of “3395”. The Company has been a reporting issuer under the Securities Act (Alberta) since October 2, 2018. On June 22, 2022, shareholders of the Company (“**Shareholders**”) approved the change of the Company’s name from Persta Resources Inc. to JX Energy Ltd.

2 BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared by management in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The Financial Statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2023. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2023 (the “**Audited Financial Statements**”) and should be read in conjunction with the Audited Financial Statements and the notes thereto. The disclosures provided below are incremental to those included in the 2023 annual audited financial statements. These unaudited condensed interim financial statements were approved by the board (the “**Board**”) of directors (the “**Directors**”) on November 7, 2024.

The financial statements are presented in Canadian dollars (“**C\$**”), which is the Company’s functional currency.

3 GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2024 the Company had a working capital deficiency of C\$20.6 million, generated a loss from operations of C\$3.2 million and C\$1.1 million respectively, for the three and nine months ended September 30, 2024.

The global impact of the wars in Ukraine and the middle east, global warming, and supply chain interruptions, have resulted in significant volatility in global stock markets has created a great deal of uncertainty in the global economy and specifically the volatility of natural gas price has significantly affected the operating performance of the Company.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity and/or equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any transactions will be completed on terms acceptable to the Company. If the Company is unable to make its scheduled payments on its debt to CIMC and Shareholder Loan, the facilities may become due on demand. These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding this, based on the cash flow projection, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the use of the going concern basis in preparation of the financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

4 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

<i>C\$</i>	As at September 30, 2024	As at December 31, 2023
Deposits with banks and other financial institutions	151,453	361,300
Cash on hand	<u>2,005</u>	<u>2,005</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u>153,458</u>	<u>363,305</u>

(b) Supplementary cash flows information

<i>C\$</i>	Three months ended September 30, 2024		Nine months ended September 30, 2024	
		2023		2023
Change in non-cash working capital:				
Accounts receivable	67,878	(266,747)	769,316	1,408,168
Prepaid expenses and deposits	(66,887)	65,334	504,121	(109,274)
Accounts payable and accrued liabilities	<u>(249,490)</u>	<u>826,967</u>	<u>(1,643,322)</u>	<u>2,300,718</u>
	<u>(249,499)</u>	<u>625,554</u>	<u>(369,885)</u>	<u>3,599,612</u>
Change in non-cash working capital included and financing activities	(2,124,831)	(813,318)	(5,436,914)	(2,128,027)
Change in non-cash working capital included in operating activities	<u>2,374,330</u>	<u>1,438,872</u>	<u>5,067,029</u>	<u>5,727,639</u>
	<u>(248,499)</u>	<u>625,554</u>	<u>(369,885)</u>	<u>3,599,612</u>

5 ACCOUNTS RECEIVABLE

	As at September 30, 2024	As at December 31, 2023
C\$		
Trade receivables	58,410	829,041
Other receivables	(1,763)	(3,078)
Total	56,647	825,963

(a) Aging analysis of trade receivables

As at September 30, 2024 and December 31, 2023, the aging analysis of trade receivables (included in accounts receivable), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As at September 30, 2024	As at December 31, 2023
C\$		
Within 1 month	58,410	829,041
1 to 3 months	—	—
Over 3 months	—	—
Total	58,410	829,041

(b) Impairment of accounts receivable

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Company determines that recovery of the amount is remote, in which case the impairment loss is written off against account receivables directly. No accounts receivable are considered individually nor collectively to be impaired. No material balances of trade or other receivables are past due, and no impairment loss has been recognized for the three and nine month periods ended September 30, 2024 and year ended December 31, 2023.

6 EXPLORATION AND EVALUATION ASSETS

C\$	As at September 30, 2024	As at December 31, 2023
Balance, beginning of period	5,914,591	10,257,507
Net Disposals	(5,879,317)	(275,443)
Recovery/(Impairment)	3,998,011	(3,998,011)
Write-offs	<u>(18,694)</u>	<u>(69,462)</u>
Balance, end of period	<u>4,014,591</u>	<u>5,914,591</u>

Exploration and evaluation (“**E&E**”) assets consist of undeveloped lands, unevaluated seismic data and unevaluated drilling and completion costs on the Company’s exploration projects which are pending the determination of proven or probable reserves in sufficient quantity to warrant commercial development. Transfers are made to property, plant and equipment (“**PP&E**”) as proven or probable reserves are determined. E&E assets are expensed due to uneconomic drilling and completion activities, sales, and write-offs related to lease expiries. Impairment is assessed based on the recoverable amount compared with the asset’s carrying amount to measure the amount of the impairment. As at December 31, 2023, the Company realized an impairment of C\$4.0 million on its undeveloped assets based on prevailing market factors at the time.

In March 2024, the Company signed a letter of intent to sell five sections of its non-producing Basing assets to an independent third party for C\$1.9 million. The asset sale, which closed on April 1, 2024, was recorded to remove all the related assets and the impairment at December 31, 2023 was reversed and no gain or loss on the sale of the assets was recognized.

For the year ended December 31, 2023, the Company wrote-off C\$0.07 million of E&E assets attributable to land lease expiries and disposed of unused pipe that was capitalized as part of the drilling program in 2022 for proceeds of C\$0.12 million and a loss of C\$0.2 million. For the three and nine months ended September 30, 2024, there were no capitalized G&A costs, transfers to PP&E or write-offs.

As at December 31, 2023 and September 30, 2024, the Company’s E&E assets in respect of its Basing, Voyager and Dawson CGUs were comprised solely of undeveloped lands in which the Company holds a right to explore for, and produce petroleum and natural gas.

7 PROPERTY, PLANT AND EQUIPMENT

C\$	Cost	Accumulated Depletion, Depreciation, and Impairment	Net Book Value
At January 1, 2023	170,042,155	(132,955,893)	37,086,262
Additions	494,854	–	494,854
Change in decommissioning obligations	12,228	–	12,228
Depletion and depreciation	–	(4,539,671)	(4,539,671)
Impairment	–	(6,320,171)	(6,320,171)
	<u>170,549,237</u>	<u>(143,815,735)</u>	<u>26,733,502</u>
At January 1, 2024	170,549,237	(143,815,735)	26,733,502
Additions	74,440	–	74,440
Change in decommissioning obligations	76,857	–	76,857
Depletion and depreciation	–	(1,016,619)	(1,016,619)
Impairment	–	–	–
	<u>170,700,534</u>	<u>(144,832,354)</u>	<u>25,868,180</u>
At September 30, 2024	170,700,534	(144,832,354)	25,868,180

Substantially all of PP&E consists of development and production assets. For the nine months ended September 30, 2024, PP&E additions include G&A capitalized in accordance with the Company's accounting policies of C\$0.09 million (2023: C\$0.3 million), and the reversal of over accrued amounts from 2023 of C\$0.06 million, with the remainder being additions for workovers to increase production in the Dawson CGU.

Depletion, depreciation, impairment, and impairment recovery

Depletion and depreciation, impairment of PP&E, and any reversal thereof, are recognized as separate line items in the statement of loss and other comprehensive loss. The depletion calculation for the three and nine month periods ended September 30, 2024 includes estimated future development costs of C\$11.7 million (2023: C\$11.7 million) associated with the development of the Company's proved plus probable reserves. Impairment and impairment recovery is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment and/or impairment recovery refer to Note 4 in the Audited Financial Statements for additional information on the Company's accounting policies.

As at September 30, 2024, the Company assessed the CGUs for impairment or recovery and did not record any impairment or recovery of its CGUs.

8 RIGHT OF USE ASSETS AND LEASES

(a) Right of use assets

C\$	Oil and Gas Production	Office Space	Vehicles	Total
At January 1, 2023	441,446	954,076	32,415	1,427,937
Additions	–	155,938	–	155,938
Amortization	(297,577)	(486,702)	(11,030)	(795,309)
At December 31, 2023	143,869	623,312	21,385	788,566
At January 1, 2024	143,869	623,312	21,385	788,566
Additions	–	–	–	–
Amortization	(70,272)	(368,187)	(9,025)	(447,484)
At September 30, 2024	73,597	255,125	12,360	341,082

(b) Lease liabilities

C\$	Oil and Gas Production	Office Space	Vehicles	Total
At January 1, 2023	517,801	1,179,110	33,563	1,730,474
Additions	–	155,938	–	155,938
Lease payment	(335,364)	(547,114)	(12,020)	(894,498)
At December 31, 2023	182,437	787,934	21,543	991,914
At January 1, 2024	182,437	787,934	21,543	991,914
Additions	–	–	–	–
Lease payment	(85,322)	(465,008)	(9,547)	(559,877)
At September 30, 2024	97,115	322,926	11,996	432,037

C\$	Future lease payments	Interest	Present value
At September 30, 2024			
Within 1 year	449,440	43,547	405,893
1 to 2 years	28,805	2,661	26,144
2 - 5 years	–	–	–
Over 5 years	–	–	–
Total	478,245	46,208	432,037

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>C\$</i>	As at September 30, 2024	As at December 31, 2023
Trade payables	918,886	3,060,340
Accrued liabilities	1,267,213	1,026,674
Total trade payables and accrued liabilities	2,186,099	4,087,014
Capital payables	2,936,809	3,355,453
Other payables	1,115,357	1,712,558
Current accounts payable and accrued liabilities	6,238,265	9,155,025
Long-term payables, including current portion	18,745,698	12,343,491
Total	24,983,963	21,498,517

All trade payables, accrued liabilities, capital payables and other payables are expected to be settled within one year or are payable on demand, except for the Long-term related party payable. The long-term related party payable consists of amounts owed to Jixing Energy (Canada) Inc. (“**Jixing**”) which are unsecured, interest free pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the Company’s Audited Financial Statements). As at September 30, 2024 and December 31, 2023, capital payables are primarily comprised of costs incurred for the drilling of a new well at Basing and costs incurred pursuant to the Contract (as defined in Note 12 of the Company’s Audited Financial Statements). As at September 30, 2024 and December 31, 2023, other payables includes convertible debenture proceeds received prior to the signing of the agreement of C\$0.75 million (2023: C\$Nil) and C\$0.32 million (2023: C\$0.38 million) owed pursuant to the Company’s Phantom Unit Plan (note 12). As at December 31, 2023, other payables included equity proceeds received prior to the issuance of shares of C\$1.3 million.

Legal claims have been brought against the Company by certain vendors. All expected legal, settlement, and other fees have been accrued as at September 30, 2024 and December 31, 2023. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts accrued as at September 30, 2024. The Directors consider that disclosure of further details of these claims would seriously prejudice the Company’s negotiating position and accordingly further information on the nature of the obligation has not been provided.

Aging analysis of trade payables and accrued liabilities

As at September 30, 2024 and December 31, 2023, the aging analysis of trade payables and accrued liabilities based on dates of invoices at the end of the reporting period is as follows:

<i>C\$</i>	As at September 30, 2024	As at December 31, 2023
Within 1 month	2,225,039	1,897,310
1 to 3 months	(151,085)	273,568
Over 3 months but within 9 months	112,145	1,916,136
Total	2,186,099	4,087,014

Included in the 1 to 3 months balance is a credit for Royalties for C\$0.86 million.

10 LONG TERM DEBT

<i>C\$</i>	As at September 30, 2024	As at December 31, 2023
Shareholder loans (net)	10,332,639	11,370,713
Term debt	3,389,586	3,885,912
Less: deferred financing costs	(133,909)	(174,086)
Total	13,588,317	15,082,539
Current	12,988,689	3,529,806
Long term	599,628	11,552,733

(a) Term debt

On March 27, 2023, the Company obtained new long-term debt of USD\$3.5 million (C\$4.7 million) from CIMC Leasing USA, Inc. (the “**CIMC Loan**”). The CIMC Loan has a term of 48 months, bears interest of 9.25% per annum and is secured by the fixed assets owned by the Company, excluding its Oil and Gas assets, and a personal guarantee from Mr. Yongtan Liu, the Company’s Chairman. The Company will be required to make monthly interest and principal payments of USD\$87,514 beginning on April 27, 2023.

The CIMC Loan will be senior to all other debt and equity payments, including the Jixing Gas Handling and Jixing Voyager Compression Agreements (as defined in Note 26 of the Company’s Audited Financial Statements), with exceptions for regular operating payments of Jixing, which have been approved by CIMC Leasing USA, Inc. as part of the CIMC Loan agreement.

Mr. Liu and/or interests under his control, have loans with CIMC Capital (China), the parent company of CIMC Leasing USA, Inc. In the event there is a default with the existing loans of Mr. Liu and/or interests under his control, it will trigger a default of the CIMC Loan and shareholder loan from Jixing, and the outstanding balances will immediately become due.

(b) Shareholder loans

On March 27, 2023 the Company received a loan from Jixing (the “**Jixing Loan**”) for USD\$8.0 million (C\$10.8 million). The Jixing Loan has a term of 48 months, bears interest of 9.25% per annum and is not secured by the fixed assets owned by the Company. The Company will be required to make monthly interest and principal payments of USD\$200,031 beginning on April 27, 2023.

On December 19, 2023, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan (as defined in Note 13 of the Audited Financial Statements) to December 23, 2025 and the entire balance has been classified as long-term.

On December 19, 2023, the Company and director agreed to extend the term of the 2020 Shareholder Loan (as defined in Note 13 of the Company’s Audited Financial Statements) to June 2, 2025 and the entire balance has been classified as current.

(c) Long term accounts payable

C\$	As at September 30, 2024	As at December 31, 2023
Opening carrying amount	13,286,657	12,697,872
Fair value adjustments	(1,398,614)	(5,058,599)
Initial measurement of Jixing GHCA liability	11,888,043	7,639,273
Additions	6,248,882	5,602,206
Less: Repayments	(446,000)	(703,505)
Accretion	1,054,773	748,683
Closing carrying amount	18,745,698	13,286,657
Current	739,271	943,165
Long term	18,006,427	12,343,492

On March 27, 2023, pursuant to the subordination agreement included the CIMC Loan, the modification of terms of the existing Jixing GHCA (as defined in Note 26 of the Audited Financial Statements), is accounted for as an extinguishment. A gain on extinguishment of substantially modified terms was recognized of \$5.1 million in contributed surplus for the year ended December 31, 2023 for the difference between the derecognition of original account payable and recognition of the account payable under subordination agreement with CIMC discounted at the new effective interest rate of 9.4% and a term of 48 months.

The Company incurs monthly costs increasing the total liability over time. As at September 30, 2024, the company has incurred an additional C\$6.2 million of costs related to the Jixing GHCA, and an adjustment to contributed surplus of C\$1.4 million was recognized for the nine month period. Per the terms of the subordination agreement, the Company may make payments against the Jixing GHCA liability for regular operating payments. For the nine months ended September 30, 2024, the Company paid C\$0.45 million against the Jixing GHCA liability.

11 DECOMMISSIONING LIABILITIES

	As at September 30, 2024	As at December 31, 2023
C\$		
Balance, beginning of period	2,372,611	2,314,845
Change in estimate	76,857	12,228
Accretion expense (<i>Note 15</i>)	48,230	45,538
	<u>2,497,697</u>	<u>2,372,611</u>
Balance, end of period	2,497,697	2,372,611
Current	821,820	706,300
Long term	<u>1,675,877</u>	<u>1,608,545</u>

The total future decommissioning obligations were estimated based on the Company's net ownership interest in petroleum and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future periods. As at September 30, 2024, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C\$2.6 million (2023: C\$2.6 million) which will be incurred between 2023 and 2067. The majority of these costs will be incurred by 2040. As at September 30, 2024, an average risk free rate of 3.11% (2023: 3.05%) and an inflation rate of 3.11% (2023: 3.05%) were used to calculate the decommissioning obligations.

12 OTHER LIABILITIES

	As at September 30, 2024	As at December 31, 2023
C\$		
Accrued compensation per Phantom Unit Plan ¹	<u>109,075</u>	<u>118,868</u>
Total	<u>109,075</u>	<u>118,868</u>

(1) As defined in Note 20 of the Audited Financial Statements.

13 SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares.

(b) Issued

	Common Shares	Amount C\$
At January 1, 2023	449,886,520	219,802,889
Shares issued for cash	10,000,000	1,880,000
Share issuance costs	—	(1,453,400)
Allocation to contributed surplus for shares issued above market value	—	(16,734)
At December 31, 2023	<u>459,886,520</u>	<u>220,212,755</u>
At January 1, 2024	459,886,520	220,212,755
Shares issued for cash	63,000,000	2,540,956
Allocation to contributed surplus for shares issued above market value	—	(309,168)
Share issue costs	—	(13,666)
At September 30, 2024	<u>522,886,520</u>	<u>222,430,877</u>

(c) Warrants

On August 13, 2018, the Company issued 8 million warrants to the lender of the subordinated debt facility for total consideration of C\$0.75 million. The warrants had an exercise price of HK\$3.16 per warrant and a term of 5 years. Pursuant to the 2020 Restructuring (see Note 13 of the audited financial statements for the year ended December 31, 2022), the Company agreed to re-price the 8 million share purchase warrants previously issued to the lender. This re-pricing is subject to the Stock Exchange and Shareholder approval which was obtained on August 15, 2022. The new exercise price of HK\$0.58 was calculated based on the average price of the Common Shares on the Stock Exchange for the five trading days immediately preceding August 15, 2022.

As part of the repayment of the subordinated debt (note 10), the warrants were forfeited unexercised and the value was recorded as contributed surplus on March 27, 2023.

(d) **Stock options and share-based expenses**

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (the “**Option Plan**”). The Option Plan is a rolling plan and provides that the number of common shares issuable under the Option Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding common shares, on a non-diluted basis, as of the date on which the Option Plan is approved by the shareholders. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company’s stock on the date of grant and the option’s maximum term is ten years. Options granted vest 1/3 on each of the first, second and third anniversaries from the date of grant.

<i>HK\$ except number of options amounts</i>	Number of Options	Exercise Price
At January 1, 2023	3,780,000	\$0.52
Granted	800,200	\$0.48
	<hr/>	<hr/>
At December 31, 2023	4,580,200	\$0.51
	<hr/>	<hr/>
At January 1, 2024	4,580,200	\$0.51
Cancelled	(1,500,000)	\$0.52
	<hr/>	<hr/>
At September 30, 2024	3,080,200	\$0.51
	<hr/>	<hr/>

The average trading price of the Company’s common shares was HK\$0.203 per share for the nine months ended September 30, 2024. The following table summarizes stock options outstanding and exercisable at September 30, 2024:

Exercise Price (HK\$)	Amount Outstanding at Period End	Remaining Contractual Life	Weighted Average Exercise Price (HK\$)	Amount Exercisable at Period End	Weighted Average Exercise Price (HK\$)
\$0.48	800,200	3.17 years	\$0.48	266,733	\$0.48
\$0.52	2,280,000	0.62 years	\$0.52	2,280,000	\$0.52
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(e) Contributed surplus

As at September 30, 2024 and December 31, 2023, contributed surplus is comprised of the difference between the deemed fair value and gross value of the Shareholder Loans and Long-term payable (refer to Note 10) at the date of initial recognition, share-based expenses incurred during the period, value of forfeited and unexercised warrants, and the allocation of shares issued during the year in excess of market value.

(f) Convertible debenture

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.6 million, bearing interest of 12% per annum payable monthly, and matures on July 24, 2025. The Company can repay the convertible debenture in full or part upon maturity including accrued and unpaid interest with common shares at a deemed price of HK\$0.20 per common share or one common share for each USD\$0.02558 of the convertible debenture outstanding including accrued and unpaid interest.

Upon initial recognition of the convertible debenture, the Company determined that the entire convertible debenture be accounted for as equity due to the fixed nature of the common shares to be issued and that the convertible debenture can be paid with common shares at the Company's discretion.

As at September 30, 2024, the Company has accrued and unpaid interest of C\$0.05 million against the outstanding convertible debenture.

Upon maturity, if the Company chooses to issue common shares instead of paying cash for the outstanding principal and unpaid interest the Company would issue 63,947,219 common shares.

14 REVENUE

C\$	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Commodity sales from production				
Natural gas, natural gas liquids and condensate	15,421	3,452,396	2,899,906	8,779,722
Crude oil	236,929	498,891	894,442	1,603,473
Total commodity sales from production	252,350	3,951,287	3,794,348	10,383,195
Trading revenue (loss)				
Natural gas trading revenue	–	16,913	38,413	142,993
Natural gas trading cost	(1,815)	(17,285)	(36,972)	(165,053)
Total trading revenue (loss)	(1,815)	(372)	1,441	(22,060)
Other income				
Total other income	4,705	5,318	14,809	18,415

The Company sells its products pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

Trading revenue is realized when the Company purchases natural gas on the open market to meet its forward sale obligations. It is measured at the fair value of the consideration received or receivable, net of the costs incurred to purchase the natural gas.

Other income is comprised of over-riding royalty payments and income generated from sources outside normal operations including rental income and subsidies. Over-riding royalty payments are periodically received from arm's length entities, whereby the Company receives a portion of oil and natural gas revenues generated from wells in which it holds a royalty interest.

Information about major customers

During the three and nine months ended September 30, 2024 and 2023, the Company had five active customers, of which three customers exceeded 10% of the Company's revenues. During the three and nine months ended September 30, 2024, the Company's largest customer accounted for 31% and 57% of revenues respectively (2023: 66% and 70% respectively), the second largest customer accounted for 47% and 24% of revenues respectively (2023: 22% and 15% respectively)

Geographical information

The Group's revenue from external customers and non-current assets are all located in Canada.

Timing of revenue recognition

For the three and nine months ended September 30, 2024 and 2023, all of the Company's revenues and commodity sales from production is recognized at a point in time.

15 FINANCE EXPENSES

C\$	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Interest expense and financing costs:				
Subordinated debt (Note 10)	319,089	321,523	831,659	1,094,702
Right of use assets and leases (Note 8)	21,447	43,672	66,377	125,338
Commitment charges	18,144	23,706	65,167	32,286
Capital payables (Note 9)	—	94,792	—	120,663
Convertible debenture (Note 13)	48,286	—	48,286	—
Other financing costs and bank charges	10,043	6,933	33,653	(2,414)
Accretion expenses:				
Decommissioning liabilities (Note 11)	(4,807)	12,225	48,230	62,412
Shareholder loans (Note 10)	61,902	29,854	23,286	(29,795)
Long-term payable (Note 10)	393,610	—	1,054,773	
Amortization of debt issuance costs	13,391	13,391	40,174	213,024
(Gain) loss on foreign exchange	(101,882)	307,177	302,293	(237,156)
Total finance expenses	779,223	853,274	2,513,898	1,379,060

16 INCOME TAXES

The blended statutory tax rate was 23% for the six month period ended September 30, 2024 (2023: 23%). As at September 30, 2024, the Company has approximately C\$105 million of deductible temporary differences in PP&E and E&E assets, decommissioning liabilities, share issue costs, non-capital losses and others. As at September 30, 2024, the Company has approximately C\$150 million of tax deductions, which includes loss carry forwards of approximately C\$45 million which begin to expire in 2037.

17 LOSS PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
Income (loss) and comprehensive income (loss)	(4,212,185)	(2,862,687)	(11,490,019)	(6,924,838)
Weighted average number of common shares	522,886,520	451,718,022	500,550,754	451,718,022
Dilutive shares ¹	<u>63,947,219</u>	<u>–</u>	<u>63,947,219</u>	<u>–</u>
Income (loss) per share – basic	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.02)</u>
Income (loss) per share – diluted	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.02)</u></u>	<u><u>(0.02)</u></u>

(1) Dilutive shares are the total common shares that would be issued if the principal and interest outstanding on the convertible debt as at September 30, 2024 was repaid by issuing common shares of the Company.

There were 3.08 million options excluded from the weighted-average share calculations for the three and nine months ended September 30, 2024 because they were anti-dilutive. There were 4.58 million options excluded from the weighted-average share calculations for the three and nine months ended September 30, 2023 because they were anti-dilutive.

18 DIVIDEND

The Board did not recommend the payment of a dividend for the three and nine months ended September 30, 2024 and 2023.

19 RELATED PARTY TRANSACTIONS, PERSONNEL COSTS AND REMUNERATION POLICY

Remuneration policy

The Company's remuneration and bonus policies are determined by the performance of individual employees. The emolument of the executives are recommended by the remuneration committee of the Company, having regard to the Company's operating results, the executives' duties and responsibilities within the Company and comparable market statistics.

(a) *Transactions with key management personnel*

Key management compensation, for the three and nine months ended September 30, 2024 totaled C\$0.1 million and C\$0.7 million respectively, including severance of C\$0.38 million (2023: C\$0.22 million and C\$0.65 million respectively).

(b) *Transactions with directors*

Directors' Fees and Phantom Unit Plan

Director compensation for the three and nine month periods ended September 30, 2024 totaled C\$0.08 million (2023: C\$(0.06) million and C\$0.1 million respectively). For the nine months ended September 30, 2024 Director compensation was comprised of C\$0.09 million of cash paid during the period as Directors' Fees, and C\$0.06 million cash paid against the balance of unpaid Phantom Unit Plan balances owed to Directors who have resigned and C\$(0.01 million) accrued pursuant to the Phantom Unit Plan (as defined in Note 19 of the Audited Financial Statements). As at September 30, 2024 the total accrued compensation under the Phantom Unit Plan, including unpaid balances to resigned Directors was C\$0.43 million (2023: C\$0.46 million).

Repayment of Shareholder Loans

For the three and nine months ended September 30, 2024, the Company repaid C\$0.11 million and C\$0.45 million respectively, on the Jixing Loan (see note 10) (2023: C\$0.3 million and C\$0.36 million respectively).

On March 31, 2023 the Company repaid C\$18 thousand of the 2021 Shareholder Loan (as defined in Note 13 of the Audited Financial Statements).

Save as disclosed above, all other transactions with directors are unchanged from those disclosed in Note 26 of the audited financial statements for the year ended December 31, 2023.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

The Company has exposure to credit risk, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of the risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. 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.

(a) Credit risk

The Company's credit risk on cash arises from possible default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

Credit risk on trade and other receivables is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from purchasers of the Company's crude oil and natural gas and joint venture partners. The Company seeks to manage its credit risk on trade and other receivables by trading with third party customers it considers to be creditworthy. As at September 30, 2024, the Company's accounts receivables consisted of C\$0.06 million (December 31, 2023: C\$0.83 million) due from purchasers of the Company's crude oil and natural gas production.

Receivables from purchasers of the Company's crude oil and natural gas when outstanding are normally collected on the 25th day of the month following production. The carrying amount of accounts receivable and cash balances represents the maximum credit exposure. In determining whether amounts past due are collectible, the Company will assess the nature of the past due amounts as well as the credit worthiness and past payment history of the counterparty. The Company has determined that no allowance for impairment was necessary as at September 30, 2024 and December 31, 2023. The Company has also not written off any receivables during the period ended September 30, 2024 and year ended December 31, 2023 as accounts receivables were collected in full. There are no material financial assets that the Company considers past due and at risk of collection. As at September 30, 2024 and December 31, 2023, all of the trade receivables were less than 90 days old.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company will attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25th of each month. The Company prepares annual budgets and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due (see Note 3).

The current challenging economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future. The contractual maturities of financial liabilities as at September 30, 2024 are as follows:

C\$	Carrying amount	Total	1 year or less	1-2 years	3-5 years	5+ years
Accounts payable and accrued liabilities	6,238,264	6,238,264	6,238,264	–	–	–
Long-term payable	18,745,698	23,399,455	–	–	23,399,455	–
Other liabilities	109,075	109,075	–	109,075	–	–
Lease liabilities	432,037	396,446	367,640	28,806	–	–
Shareholder loans ¹	10,332,639	10,509,626	9,747,626	762,000	–	–
Term debt ²	3,255,678	3,389,586	3,389,586	–	–	–
Total	39,113,391	44,042,452	19,743,117	899,881	23,399,455	–

(1) Gross value of shareholder loans, including the Jixing Loan as per Note 10

(2) Term debt as per Note 10

(c) Market risk

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates that will affect the Company's valuation of financial instruments, the debt levels of the Company, as well as its profit and cash flow from operations. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand. The Company may utilize commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The Company did not enter into any financial derivatives during the three and nine months ended September 30, 2024 and 2023.

Interest rate risk

As at September 30, 2024 and 2023, the Company's debts are comprised of shareholder's loans, term debt and amounts owing under the Contract (refer to Note 12 in the audited financial statements for the year ended December 31, 2023), which all carry a fixed interest rate. As at September 30, 2024 and 2023, the Company has no variable rate borrowings. As such, a one percent change in prevailing interest rates would not change the Company's net loss for the three and nine months ended September 30, 2024 and 2023.

Foreign currency risk

The term debt and a significant portion of the shareholder debt is denominated in United States Dollars ("USD"), and the Company has vendors in Hong Kong. The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or Hong Kong vendors as well as timing of transactions. JX recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in Hong Kong Dollars ("HKD") and USD, and the value changes with the fluctuation in the HKD/CAD and USD/CAD exchange rates. As at September 30, 2024, the Company held HK\$1.2 million (C\$0.2 million based on the HKD/CAD exchange rate at the same date) and an immaterial amount of USD payables.

Changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements. Changes in the USD/CAD foreign exchange rate +/- USD\$0.01 would decrease/increase the foreign exchange gain as at September 30, 2024 by C\$0.08 million respectively and increase/decrease the Company's USD denominated debt by the same amounts.

(d) Capital management

The Company's general policy is to maintain an appropriate capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations; to maintain a capital structure that allows the Company to favor the financing of its growth strategy using internally-generated cash flow and its debt capacity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt, long term debt, other liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt.

The Company has not paid nor declared any dividends since its inception.

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company.

The following represents the capital structure of the Company:

C\$	As at September 30, 2024	As at December 31, 2023
Long term debt <i>(excluding current portion as per Note 10)</i>	599,628	11,552,733
Long-term payable <i>(excluding current portion as per Note 10)</i>	18,006,427	12,343,492
Other liabilities	109,075	118,868
Long term lease liabilities <i>(current portion included in net working capital deficit)</i>	26,144	251,069
Net working capital deficit	20,606,252	13,119,691
Net debt	39,347,525	37,385,853
Shareholders' equity	(10,799,550)	(5,499,985)
Total	28,547,975	31,885,868

(e) **Performance services guarantee (“PSG”) facility**

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) totaling C\$4.4 million. On July 30, 2020 the aggregate PSG was reduced to C\$1.85 million. On October 17, 2022, the aggregate PSG was reduced to C\$1.55 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit (“L/C”) on behalf of the Company. Previously, these L/C’s were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C’s subject to subsequent approval by the EDC. As at September 30, 2024, the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$650,000	March 16, 2024
C\$83,000	December 30, 2024

The PSG facility has a 12 month term and must be renewed annually. The current term expires on September 30, 2025. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C’s and the Company will seek alternative insurance arrangements to guarantee the L/C’s or cash collateralize them.

21 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company’s business. The following table outlines the Company’s commitments as at September 30, 2024:

C\$	Total	Less than 1 year	1-2 years	3-5 years	After 5 years
Transportation commitment	6,925,254	3,197,057	3,728,197	–	–
Jixing agreements ²	110,476,375	7,363,877	10,498,317	16,007,535	76,606,646
PSG facility ¹	733,000	733,000	–	–	–
Total	118,134,629	11,293,934	14,226,514	16,007,535	76,606,646

- (1) The PSG facility commitment will only be due if the facility is not renewed and the L/C’s are cash collateralized by the Company (see Note 20).
- (2) Refer to Note 26 in the Audited Financial Statements for details on the Jixing agreements.

Transportation Commitment:

The Company entered into a take or pay firm service transportation agreement with committed transportation volumes as below:

Description	Volume (MMcf/d)	Effective date	Expiring date	Duration
JX FT-R with NGTL	52.14	2018-12-01	2026-11-30	8 years

The firm service transportation agreements cover the period from December 1, 2018 to November 30, 2026 (the firm service fee varies and is subject to review by the counter-party on an annual basis). The amounts presented in the Commitments table above for the transportation service commitment fee is based on fixed transportation capacity as per these agreements and management's best estimate of future transportation charges.



JX Energy Ltd.

(吉 星 新 能 源 有 限 責 任 公 司) *

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2024 and 2023

** For identification purpose only*

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") of JX Energy Ltd., ("**JX**" or the "**Company**") should be read in conjunction with the Company's audited financial statements and notes thereto for the years ended December 31, 2023 and 2022 (the "**Financial Statements**"). All amounts and tabular amounts in this MD&A are stated in thousands of Canadian dollars ("**C\$000**") unless indicated otherwise. This MD&A is dated November 7, 2024.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Company hereby cautions investors about important factors that could cause the Company's actual results to differ materially from those projected in a forward-looking statement. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this MD&A), uncertainties and other factors some of which are beyond the Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, the Company strongly cautions investors against placing undue reliance on any such forward-looking statements. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

NON-IFRS FINANCIAL MEASURES

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and sometimes referred to in this MD&A as Generally Accepted Accounting Principles (“**GAAP**”) as issued by the International Accounting Standards Board (“**IASB**”).

This MD&A also includes references to financial measures commonly used in the oil and natural gas industry. These financial measures are not defined by IFRS as issued by IASB and, therefore, are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. See “Non-IFRS Financial Measures” of this MD&A for information regarding the following non-IFRS financial measures used in this MD&A: “operating netback” and “adjusted EBITDA”.

FUTURE PROSPECTS

The Company acquired Petroleum and Natural Gas Licenses for Basing, Voyager and Kaydee in the Alberta Foothills and Dawson near Peace River in northern Alberta between 2006 and 2018. Approximately 90% of the Company’s revenue is generated from the Basing area. Voyager is geologically analogous and located approximately 30 kilometers (“**km**”) from Basing.

During 2023, commodity prices have fell as the global impact of the wars in Ukraine and the middle east, global warming and supply chain interruptions have created additional volatility in commodity markets. The price for natural gas in Western Canada is forecasted to remain around the 2023 average. As the spot price for Western Canadian gas changes daily, there is no guarantee the Company will sell its gas in the future for currently forecast prices. The Company is evaluating additional targets which it would look to commence drilling on during 2024 and 2025, subject to availability of capital, if prices reach the averages from 2022.

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.6 million, bearing interest of 12% per annum payable monthly, and matures on July 24, 2025. The Company can repay the convertible debenture in full or part upon maturity including accrued and unpaid interest with common shares at a deemed price of HK\$0.20 per common share.

In May 2024, the Company issued 33,000,000 common shares related to a private placement announced in March 2024 for total proceeds of C\$1.26 million.

On February 27, 2024, the Company accepted a non-binding Letter of Intent (“**LOI**”) from an independent third party to purchase five sections of undeveloped land in the Basing CGU for C\$1.9 million. On April 1, 2024, the purchase and sale agreement was executed, the gross proceeds of C\$1.9 million were received, and the transaction was completed. The Company did not incur any significant additional costs because of the sale.

In February 2024, the Company issued 30,000,000 common shares related to a private placement announced in November 2023 for total proceeds of C\$1.28 million.

During 2023 the Company has raised a total of C\$1.9 million through a common share equity private placement and the proceeds were used to reduce the outstanding liabilities related to the drilling program in 2022.

On March 27, 2023, the Company paid its outstanding SubDebt through a combination of a shareholder loan from Jixing for USD\$8.0 million (the “**Jixing Loan**”) and USD\$3.5 million from CIMC Leasing USA, Inc. (the “**CIMC Loan**”). Both the Jixing and CIMC Loans are term loans to be repaid over 48 months in equal monthly payments.

SELECTED QUARTERLY INFORMATION

Daily Average Production	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Natural gas (mcf/d)	(16)	1,361	8,030	8,899	10,400	6,644	9,995	10,500
Crude oil (bbls/d)	32	36	41	59	60	63	60	55
NGLs and condensate (bbls/d)	0	17	82	90	108	40	63	74
Total production (boe/d)	30	280	1,461	1,633	1,902	1,210	1,789	1,880
Daily Average Trading								
Natural gas (boe/d)	3	4	31	9	12	92	7	8
Daily Average Sales (boe/d)	33	283	1,492	1,642	1,914	1,302	1,796	1,887
Financial								
<i>C\$ 000s except share amounts</i>	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Production revenue	252	715	2,827	3,177	3,951	2,391	4,041	11,545
Net trading (loss) revenue	(2)	–	3	–	–	(21)	(0)	164
Royalties (expense) recovery	(49)	70	(32)	(553)	(459)	541	(612)	(2,318)
Operating costs	(3,169)	(3,318)	(3,656)	(3,733)	(3,702)	(3,358)	(3,157)	(6,223)
Operating netback ¹	(2,968)	(2,533)	(858)	(1,109)	(210)	(447)	272	3,168
Net (loss) income	(4,212)	(3,848)	(3,430)	(13,322)	(2,863)	(1,966)	(2,096)	(11,937)
Net working capital ²	(20,606)	(13,307)	(12,177)	(12,177)	(11,874)	(16,526)	(10,680)	(34,344)
Total assets	30,812	31,340	34,722	35,446	47,264	48,474	49,914	52,399
Capital expenditures (disposals) ³	43	82	(31)	(50)	56	79	92	1,191
Income (loss) per share (basic & diluted)	(0.01)	(0.01)	0.01	(0.03)	(0.01)	(0.00)	(0.00)	(0.02)

- (1) Operating netback is defined as revenue less royalties, trading cost and operating costs. Operating netback is a non-IFRS financial measure. See “Non-IFRS Financial Measures” for further information.
- (2) Net working capital consists of current assets less current liabilities. As at December 31, 2022, net working capital includes C\$15.75 million of long term debt which was repaid on March 27, 2023, and C\$2.6 million of shareholder loans originally due for repayment in 2023 which were amended to be due for repayment in 2024 subsequent to year end and further extended to 2025 on December 19, 2023. As at June 30, 2024, C\$2.0 million of shareholder loan has been classified as current as it is due for repayment in June 2025. As at September 30, 2024, C\$11 million of term debt has been classified as current as the Company is two months in arrears of payments.
- (3) Capital expenditures consist of total expenditures for property, plant and equipment plus exploration and evaluation assets, net of accrual reversals, excluding changes in non-cash working capital.

Selected Quarterly Information Summary

The Company's total production is impacted by seasonal fluctuations experienced in western Canada. During the Canadian winter (October — March), demand for gas is highest as it is used for heating and power generation. The market price for natural gas is cyclical and follows demand, with prices generally strongest in the winter, and weakest in summer. Historically, the Company's revenues have been strongest during the first and fourth quarters, and weakest in the second and third quarters, reflecting the demand cycle.

Gas price in Q1 2024 remained low as the winter was unseasonably warm contributing to the Company's overall drop in revenue and net loss. In April 2024, the Company determined that the price of gas was uneconomic for its production and shut in its gas wells to preserve the reserves for future production once the price of gas recovers. In October 2024, the Company restarted some of its gas production with a return to full production by the end of 2024. The Company expects that prices will begin to recover in November and through the first quarter of 2025 and continues to explore forward sales contracts to provide certainty of production revenues during periods where the gas price is low.

In Q3 2022 the Company shut in select wells for periods of time due to a combination of market price and pipeline maintenance. In Q4 2022, the commodity prices increased reflecting the seasonal demand typically seen in winter. In Q2 2023, the Company was forced to shut in production of its Basing wells due to forest fires in the area for approximately two weeks and had reduced production for approximately four weeks while the area and processing plant recovered from the fires.

In Q2 2023, the Company received royalty credits from the Government of Alberta through re-submission of prior years capital expenditure reporting, and the reduction in production because of the forest fires. These credits significantly contributed to the Company's ability to reduce its net loss for the quarter.

The Company's higher net loss experienced in the fourth quarter of 2023 and 2022 is attributable to impairment losses and write-offs recognized during the period. These impairment losses are non-cash charges resulting from assessments which indicated the carrying costs of the Company's assets exceed their estimated future recoverable amounts.

RESULTS OF OPERATIONS

Daily Production and Sales Volumes

Boe Conversions – Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents (“boe”) may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Production						
Natural gas (mcf/d)	(16)	10,400	(100%)	3,144	9,101	(65%)
Oil (bbl/d)	32	60	(46%)	36	62	(42%)
NGLs (bbl/d)	0	25	(100%)	9	20	(57%)
Condensate (bbl/d)	0	84	(100%)	25	51	(50%)
Total production (boe/d)	30	1,902	(98%)	594	1,650	(64%)
Trading						
Natural gas (mcf/d)	16	72	(78%)	74	221	(66%)
Total trading (boe/d)	3	12	(78%)	12	37	(66%)
Total sales volume (boe/d)	33	1,914	(98%)	606	1,687	(64%)

Total sales volume for the three and nine months ended September 30, 2024 was 98% and 64% lower respectively, than the comparative period attributable to the Company’s gas wells being shut in from approximately June through September 30, 2024.

The Company did not enter into any forward sales contracts during 2024 or 2023, and traded gas on days when it would not be able to deliver its nominated volume. As nominations are made daily, a shortfall experienced on a given day can be rectified the next day adjusting the nomination to reflect changes in production.

As the Company's production is generally stable, shortfalls are infrequent as demonstrated by the small quantity of gas traded in 2024 and 2023 comprising only 2% and 2.2% respectively, of the total gas sold during the period. Trading volume for the three months ended September 30, 2024 reflects adjustments to production volume from prior periods that were recovered by trading natural gas to cover the shortfall.

Natural gas liquids ("NGLs") and condensate production are by-products of natural gas. The amount of NGL and condensate production varies for each well, and their production rates as a percentage of natural gas production can change over time. On an absolute boe/d basis, NGL and condensate production as a percent of natural gas boe/d was consistent for the nine months ended September 30, 2024 and 2023 at approximately 1.7% and 1.3% respectively.

Oil production for the three and nine months ended September 30, 2024 was 46% and 42% lower respectively, than the comparative periods in 2023 as the Company had fewer production days during the quarter due to maintenance and repairs at the site in addition to natural declines.

Revenue

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Production						
Natural gas	—	2,641	(100%)	2,153	7,225	(70%)
Crude oil	237	499	(53%)	894	1,603	(44%)
NGLs	—	53	(100%)	71	171	(58%)
Condensate	15	758	(98%)	676	1,384	(51%)
Total production revenue	<u>252</u>	<u>3,951</u>	<u>(94%)</u>	<u>3,794</u>	<u>10,383</u>	<u>(63%)</u>
Trading						
Natural gas trading revenue	—	17	(100%)	38	143	(73%)
Natural gas trading cost	(2)	(17)	(88%)	(37)	(165)	(78%)
Total trading revenue (loss)	<u>(2)</u>	<u>—</u>	<u>(100%)</u>	<u>1</u>	<u>(22)</u>	<u>(107%)</u>
Other income	<u>5</u>	<u>5</u>	<u>(12%)</u>	<u>15</u>	<u>18</u>	<u>(20%)</u>
Total revenue	<u>255</u>	<u>3,956</u>	<u>(94%)</u>	<u>3,810</u>	<u>10,379</u>	<u>(63%)</u>

Production revenue for the three and nine months ended September 30, 2024 decreased 94% and 65% over the comparative period in 2023 due to the drop in commodity prices and gas production being shut in for approximately four months.

Crude oil production revenue for the three months ended September 30, 2024 was impacted by experiencing approximately half of the production days as the comparative period. Crude oil prices increased in the three and nine months ended September 30, 2024 compared to the same periods in 2023, however, the Company's average sales price was less than the market average for the three and nine months ended September 30, 2024.

Other income for the nine months ended September 30, 2024 dropped due to the loss of rental income in February 2023.

Commodity prices

	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Natural gas (C\$/mcf)						
Average market price (<i>AECO</i>)	0.80	2.63	(70%)	1.61	2.71	(41%)
Average trading price	—	2.55	(100%)	1.89	2.37	(20%)
Average trading cost price	1.23	2.61	(53%)	1.82	2.74	(34%)
Average sales price	—	2.66	(100%)	2.38	2.85	(16%)
Crude oil (C\$/bbl)						
Average market price						
(<i>Edmonton Par</i>)	102.46	89.08	15%	107.55	82.12	31%
Average sales price	79.72	96.84	(18%)	90.78	95.50	(5%)
<i>Sales/market differential</i>	(22%)	9%		(16%)	16%	
NGLs (C\$/bbl)						
Average market price						
(<i>Propane/Butane</i>)	28.97	36.61	(21%)	31.88	37.45	(15%)
Average sales price	208.82	25.97	704%	96.81	30.75	215%
<i>Sales/market differential</i>	621%	(29%)		204%	(18%)	
Condensate (C\$/bbl)						
Average market price						
(<i>Pentane Plus</i>)	104.03	107.11	(3%)	102.92	103.11	(0%)
Average sales price	24,087.93	100.51	23866%	96.81	99.71	(3%)
<i>Sales/market differential</i>	23055%	(6%)		(6%)	(3%)	

Realized gas price sales for the nine months ended September 30, 2024 was 16% lower than the same period in 2023 due to AECO pricing for the period decreasing. Natural gas price is impacted by the quality of the gas and, generally, the greater the Btu of the gas produced the realized price will exceed the AECO average.

Typically, the AECO price is highest during the cold winter months from October through March. The temperature throughout the first three months of 2024 was unseasonably warm contributing to the lower overall AECO pricing during the nine months ended September 30, 2024 compared to the same period in 2023. The Company does not utilize forward contracts to sell its gas and daily trading prices do not necessarily reflect the average AECO price for the period.

During the three and nine months ended September 30, 2024 and 2023, the Company traded gas as required to meet shortfalls in its daily production nomination. The average trading price is a function of the gains or losses realized on the quantity and price of gas traded over a given time, and therefore not directly comparable to prior periods.

NGL and Condensate production is tied to natural gas production. The Company's natural gas wells produce varying amounts of NGLs (propane and butane), which are sold at different prices in the market. For the three months ended September 30, 2024, the average sales price for NGLs and Condensate reflects the impact of accrual adjustments from prior periods.

While the Company's wells are shut-in or have sub-optimal production, the NGL production matrix is impacted, resulting in a changing realized price dependent on the composition of NGLs. The quantity of butane and propane produced by a well can change over time and generally, the more butane produced, the higher the realized price for NGLs.

The Company's realized crude oil prices for the three and nine months ended September 30, 2024 were lower than the average market prices over the same period attributable to the quality of the oil produced and that the Company can control when product is shipped. In the same periods of 2023, the Company was able to time the deliveries of its oil production to maximize price. Variations from the benchmark are a function of product sales occurring periodically over the quarter and year, compared to the average daily reference price.

Royalties

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Natural gas, NGLs and condensate	(3)	267	(101%)	(289)	(98)	195%
Crude oil	52	192	(73%)	299	628	(52%)
Total royalties	49	459	(89%)	10	530	(98%)
Effective average royalty rate	19%	12%	67%	0%	5%	(95%)

In Alberta, royalties are set by a sliding scale formula containing separate elements that account for market price and well production. Royalty rates will fluctuate to reflect changes in production rates, market prices and cost allowances. On a “per-well” basis, for the three and nine months ended September 30, 2024 and 2023, the Company’s base royalty rate for natural gas ranged from 5% to 26%, the base royalty rate for NGLs (propane and butane) was 30% and the base royalty rate for condensate and crude oil was 40%. Effective royalty rates can differ from the base rates if the production qualifies for any cost allowances which offset the base amount payable.

Operating Costs

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Natural gas, NGLs and condensate	2,949	3,640	(19%)	9,656	9,920	(3%)
Crude oil	220	62	255%	487	298	64%
Total operating costs	3,169	3,702	(14%)	10,143	10,218	(1%)
Unit Cost (C\$/boe)						
Natural gas, NGLs and condensate	(11,762.63)	21.48	(54861%)	63.14	22.88	176%
Crude oil	74.02	11.27	557%	49.51	17.73	179%
Average cost	1,164.47	21.16	5403%	62.32	22.69	175%

Total operating costs (“**opex**”) for natural gas, NGLs and condensate for the three and nine months ended September 30, 2024 were 14% and 1% lower than the comparative periods in 2023. The decrease for the three months ended September 30, 2024 is attributable to the gas wells being shut in offset by increases in the Company’s contracts with its gas gathering and processing facilities. The decrease for the nine months ended September 30, 2024 is attributable to increases in the Company’s contracts with its gas gathering and processing facilities offset by variable production costs. On a Unit Cost basis, 2024 opex for the three and nine months ended September 30, 2024 was higher than the comparative period due to inflation, increased repairs and maintenance, increased liquids treating costs, and reduced production.

Total opex for crude oil increased substantially for the three and nine months ended September 30, 2024 due to a contained oil spill at the Company’s well site. The total cleanup cost was approximately C\$0.07 million and has been cleared by the Alberta Energy Regulator. The Company does not expect to incur any further costs related to the incident.

General and Administrative Costs

<i>C\$ 000s</i>	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Staff costs	166	177	(6%)	776	493	57%
Directors fees	90	30	200%	110	90	22%
Phantom Unit charges (recovery)	(7)	(93)	(92%)	(10)	(172)	(94%)
Accounting, legal and consulting fees	70	156	(55%)	372	541	(31%)
Office	(36)	(54)	(33%)	(197)	25	(878%)
Share-based expense	4	13	(69%)	12	69	(83%)
Other	27	35	(23%)	88	104	(15%)
Total G&A costs	314	264	19%	1,151	1,150	0%
Capitalized staff costs	27	60	(56%)	86	226	(62%)

Total general and administrative (“G&A”) costs for the three months ended September 30, 2024 was 19% higher than the comparative period in 2023 primarily due to changes in the Board of Directors and related directors fees.

For the three months ended September 30, 2024, the Company’s accounting, legal and consulting fees in the current period were lower than the same period in 2023, reflecting the increase in consulting and legal fees related to directors changes and financing efforts in 2023. For the nine months ended September 30, 2024, the Company’s accounting, legal and consulting fees in the current period were lower than the same period in 2023, reflecting decreases in the Company’s audit fees and other consulting fees.

For the three and nine months ended September 30, 2024, office expenses decreased over the same periods in 2023 primarily due to the Company moving its head office and subleasing the space. Other costs include memberships, travel and accommodation, and the total amounts are consistent with the prior periods.

Capitalized G&A costs are comprised of qualifying expenditures in respect of geological and geophysical activities. The Company reviews its capitalized G&A costs policy periodically and will adjust the amount as required.

Finance Expenses

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Interest expense and financing costs:						
Subordinated and term debt	319	322	(1%)	832	1,095	(24%)
Right of use assets and leases	21	44	(52%)	67	125	(47%)
Commitment charges	18	24	(25%)	65	32	102%
Capital payables	–	95	(100%)	–	121	(100%)
Convertible debenture (Note 13)	48	–	100%	48	–	100%
Other financing costs and bank charges	11	6	67%	34	(2)	(1494%)
Accretion expenses:						
Decommissioning liabilities	(5)	12	(142%)	48	62	(23%)
Shareholder loans	62	30	107%	23	(30)	(178%)
Long-term payable (Note 10)	394	–	100%	1,055	–	100%
Amortization of debt issuance costs	13	13	(2%)	40	213	(81%)
Loss (gain) on foreign exchange	(102)	307	(133%)	302	(237)	(227%)
Total finance expenses	<u>779</u>	<u>853</u>	<u>(9%)</u>	<u>2,514</u>	<u>1,379</u>	<u>82%</u>

For the three and nine months ended September 30, 2024, interest expense was incurred from the Company's subordinated term debt, shareholder loan term debt, convertible debenture, and capitalized leases. For the three months ended March 31, 2023, interest expense was incurred on its subordinated debt (“**SubDebt**”), which had an interest rate of 12%. In March 2023, the Company repaid the SubDebt, and obtained a new term debt facility, and a shareholder loan term debt at an interest rate of 9.25% per annum.

For the three and nine months ended September 30, 2024 and 2023, accretion expenses were incurred from decommissioning liabilities and the fair-value adjustments of the Company's long-term payable and shareholder loans. Amortization of debt issuance costs includes legal fees, commissions and commitment fees which were incurred for the closing of the CIMC Debt and Jixing Debt facilities obtained in March 2023. These costs are capitalized against the debt and are amortized over the course of the loan terms. The debt issuance costs related to the SubDebt were completely amortized in March 2023 as part of the SubDebt repayment.

For the three and nine months ended September 30, 2024, the loss in foreign exchange is primarily due to the differences in the USD:CAD exchange rate on the CIMC and Jixing Loans from the beginning to the end of the periods.

Depletion, Depreciation and Amortization

<i>C\$ 000s except per unit costs</i>	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Depletion	11	1,332	(99%)	1,013	3,346	(70%)
Depreciation	1	2	(50%)	4	4	(5%)
Amortization of right of use assets	144	203	(29%)	447	606	(26%)
Total DD&A	156	1,537	(90%)	1,464	3,956	(63%)
Per boe	57.51	8.78	555%	8.99	8.78	2%

Depletion, depreciation and amortization (“DD&A”) expense is comprised of depletion incurred from production of the Company’s developed assets, the depreciation expense is comprised of the depreciation of fixed assets including office furniture, office equipment, vehicles, computer hardware and computer software and amortization of capitalized leases carried as right of use assets.

Depletion is a function of both production and the capitalized value of assets subject to depletion. The increase in DD&A on a per boe basis for the three months ended September 30, 2024 is attributable to the reduction in the Company’s production for the three months ended September 30, 2024.

Impairment Recovery and Write-Offs

<i>C\$ 000s</i>	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
E&E write-offs	—	5	100%	19	57	(67%)
Total impairment (recovery)	—	5	100%	19	57	(67%)

For the three and nine months ended September 30, 2024 and 2023, the Company assessed its E&E and PP&E assets for impairment on a cash generating unit (“CGU”) basis in accordance with its policy (refer to the Financial Statements for details of the Company’s impairment policy), and determined there was no impairment for the periods.

On April 1, 2024, the Company sold certain E&E assets, and the impairment recorded in 2023 was reversed when the asset values were removed from the Company’s asset listing. No gain or loss on the sale of the E&E assets was recognized.

Loss and Comprehensive Loss

<i>C\$ 000s</i>	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Total loss and comprehensive loss	<u>(4,212)</u>	<u>(2,863)</u>	<u>48%</u>	<u>(11,490)</u>	<u>(6,925)</u>	<u>66%</u>

Loss and Comprehensive loss for the three and nine months ended September 30, 2024 was 48% and 66% higher than the comparative periods in 2023, attributable to reduced commodity prices and production and accretion of the long-term payable.

CAPITAL EXPENDITURES

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
PP&E						
Drilling, completion and workovers	16	(2)	100%	(12)	4	(396%)
G&A costs capitalized	27	59	(54%)	86	226	(62%)
Total PP&E	43	57	(25%)	74	230	(68%)
E&E Assets						
Drilling, completion and workovers	—	—	—	19	31	(40%)
Total E&E	—	—	—	19	31	(40%)
Total PP&E and E&E	43	57	(25%)	93	261	(65%)
Change in non-cash working capital	(138)	(810)	(83%)	(419)	(2,125)	(80%)
Total	(95)	(753)	(87%)	(326)	(1,864)	(83%)

For the nine months ended September 30, 2024 PP&E capital expenditures (“**capex**”) relate to changes in the Company’s oil production facilities in its Dawson CGU offset by changes in the accrual for a project in its Voyager CGU to optimize production during December 2023.

In the three and nine months ended September 30, 2024 (2023: C\$0.06 million and C\$0.23 million), the Company capitalized a total of C\$0.03 million and C\$0.09 million of G&A respectively, in accordance with its accounting policies (refer to Note 4 in the Financial Statements).

In the nine months ended September 30, 2024 and 2023, E&E capital expenditures of C\$0.02 million and C\$0.03 million respectively, related to additional costs in the Basing CGU. When the E&E asset was sold on April 1, 2024, these additional costs were written off as an impairment as part of the sale.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company's general policy is to maintain an appropriate capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations; to maintain a capital structure that allows the Company to favor the financing of its growth strategy using internally-generated cash flow and its debt capacity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying crude oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, shareholders' loans, subordinated debt, other liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt. As disclosed in Note 3 of the Financial Statements, the Company's future viability is dependent on its ability to source additional capital on acceptable terms.

Capital structure of the Company

The Company's capital structure is as follows:

	As at September 30, 2024	As at December 31, 2023
<i>C\$ 000s</i>		
Long term debt ⁽¹⁾	600	11,553
Long term accounts payable ⁽⁵⁾	18,006	12,343
Other liabilities	109	119
Long-term lease liabilities ⁽²⁾	26	251
Net working capital deficit ⁽²⁾	20,606	13,120
	<hr/>	<hr/>
Net debt	39,347	37,386
Shareholders' equity ⁽³⁾	(10,800)	(5,500)
	<hr/>	<hr/>
Total capital	28,547	31,886
	<hr/>	<hr/>
Gearing ratio⁽⁴⁾	138%	117%
	<hr/>	<hr/>

Notes:

1. This is the fair value of the long-term portions of the CIMC and Jixing Loan term debts.
2. Net working capital consists of current assets less current liabilities. The current portion of lease liabilities, CIMC and Jixing Loan term debts, shareholder loans, and long-term accounts payable is included in net working capital.
3. As at September 30, 2024, the Company has 522,886,520 common shares issued and outstanding, 2.28 million stock options issued with a strike price of HK\$0.52 per option, and 0.8 million stock options issued with a strike price of HK\$0.48 per option. As at September 30, 2024, all options were antidilutive. As at September 30, 2024, the Company had estimated 63,947,219 common shares would be issued to pay for the principal and unpaid interest on the convertible debenture. These shares have been included in the diluted earning per share calculation.
4. Gearing ratio is defined as net debt as a percentage of total capital.
5. Long term accounts payable consists of the related party opex payable which is deferred under the CIMC Loan terms, whereas the opex payable not be paid (except for certain exclusions) until the CIMC and Jixing Loans have been paid in full.

Performance services guarantee (“PSG”) facility

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) with the aggregate amount as at December 31, 2023 and 2022 of C\$1.55 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit (“L/C”) on behalf of the Company. Previously, these L/C’s were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C’s subject to subsequent approval by the EDC. As at September 30, 2024 the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$650,000	March 16, 2024
C\$82,000	December 30, 2024

The PSG facility has a 12 month term and must be renewed annually and the current term expires on September 30, 2025. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C’s and the Company will seek alternative insurance arrangements to guarantee the L/C’s or cash collateralize them.

Capital resources

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its exploration and development activities, acquisition of land leases and petroleum and natural gas licenses. The Company's principal sources of funds have been proceeds from debt financings, equity financings, shareholder loans and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

On November 18, 2022, the Company entered into a private placement subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 10 million common shares at a price of HK\$1.11 per common share. On August 11, 2023 the Company completed the placing for gross proceeds of HK\$11.1 million (C\$1.9 million).

On November 20, 2023, the Company entered into private placement subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 30 million common shares at a price of HK\$0.24 per common share. On February 8, 2024 the Company completed the placing for gross proceeds of HK\$7.2 million (C\$1.3 million).

On March 7, 2024, the Company entered into private placement subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 33 million common shares at a price of HK\$0.22 per common share. On May 29, 2024 the Company completed the placing for gross proceeds of HK\$7.3 million (C\$1.3 million).

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.6 million, bearing interest of 12% per annum payable monthly, and matures on July 24, 2025. The Company can repay the convertible debenture in full or part upon maturity including accrued and unpaid interest with common shares at a deemed price of HK\$0.20 per common share or one common share for each USD\$0.02558 of the convertible debenture outstanding including accrued and unpaid interest.

Upon initial recognition of the convertible debenture, the Company determined that the entire convertible debenture be accounted for as equity due to the fixed nature of the common shares to be issued and that the convertible debenture can be paid with common shares at the Company's discretion. As at September 30, 2024, the Company has accrued and unpaid interest of C\$0.05 million against the outstanding convertible debenture. Upon maturity, if the Company chooses to issue common shares instead of paying cash for the outstanding principal and unpaid interest the Company would issue 63,947,219 common shares.

The Company obtained new long-term debt through a combination of a shareholder loan from Jixing for USD\$8 million (the "**Jixing Loan**"), and USD\$3.5 million from CIMC Leasing USA, Inc. (the "**CIMC Loan**"). As a condition of the Jixing Loan and CIMC Loan, on March 27, 2023 the Company repaid the outstanding secured debt balance of C\$15.75 million plus C\$116k of interest. The Jixing Loan will have a term of 48 months and bare interest of 9.25% per annum. The Company will be required to make monthly interest and principal payments of USD\$200,031.

The CIMC Loan will have a term of 48 months, bare interest of 9.25% per annum and is secured by the fixed assets owned by the Company, excluding its Oil and Gas assets, and a personal guarantee from Mr. Yongtan Liu, the Company's Chairman. The Company will be required to make monthly interest and principal payments of USD\$87,514. The CIMC Loan will be senior to all other debt and equity payments, including the Jixing Gas Handling and Jixing Voyager Compression Agreements.

At September 30, 2024, the Company had a working capital deficiency of C\$22.9 million and has fully drawn USD\$11.5 million on its CIMC and Jixing Loans.

The global impact of the wars in Ukraine and the middle east, global warming, and supply chain interruptions, have resulted in significant volatility in global stock markets has created a great deal of uncertainty in the global economy and specifically the volatility of natural gas price has significantly affected the operating performance of the Company. These factors may have a significant impact on the Company's operations and its ability to raise financing to meet its debt covenants. If the Company is in breach of any covenants in future periods, the lender will have the right to demand repayment of all amounts owed under the Company's term debts.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any transactions will be completed on terms acceptable to the Company.

If the Company is unable to make its scheduled payments on its debt to CIMC Leasing USA, Inc. and shareholder loan, the facilities may become due on demand. These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding this, based on the cash flow projection, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Use of proceeds from the March 2024 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to September 30, 2024 ²	Actual use of net proceeds during the period from the Closing Date to September 30, 2024 ²	Proceeds unused
General working capital	100%	1.26	1.26	–
Total	100%	1.26	1.26	–

Notes:

- (1) Refer to the Company's announcement dated March 15, 2024.
- (2) The March 2024 subscription was closed on May 29, 2024.

Use of proceeds from the November 2023 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to September 30, 2024 ²	Actual use of net proceeds during the period from the Closing Date to September 30, 2024 ²	Proceeds unused
General working capital	100%	1.20	1.20	–
Total	100%	1.20	1.20	–

Notes:

(1) Refer to the Company's announcement dated November 20, 2023.

(2) The November 2023 subscription was closed on February 8, 2024.

Use of proceeds from the November 2022 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2023 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2023 ²	Proceeds unused
Drilling exploration well at Basing	100%	1.88	1.88	–
Total	100%	1.88	1.88	–

Notes:

(1) Refer to the Company's announcement dated November 18, 2022.

(2) The November 2022 subscription was closed on August 8, 2023.

SHARES, WARRANTS, CONVERTIBLE DEBENTURE AND STOCK OPTIONS OUTSTANDING

Common Shares

On November 18, 2022, the Company entered into a private placement subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 10 million common shares at a price of HK\$1.11 per common share. On August 11, 2023 the Company completed the placing for gross proceeds of HK\$11.1 million (C\$1.9 million).

On November 20, 2023, the Company entered into private placement subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 30 million common shares at a price of HK\$0.24 per common share. On February 8, 2024 the Company completed the placing for gross proceeds of HK\$7.2 million (C\$1.3 million).

On March 7, 2024, the Company entered into private placement subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for 33 million common shares at a price of HK\$0.22 per common share. On May 29, 2024 the Company completed the placing for gross proceeds of HK\$7.3 million (C\$1.3 million).

As at September 30, 2024, the Company has 522,886,520 common shares outstanding.

Warrants

On August 13, 2018, the Company issued 8.0 million warrants for total consideration of C\$0.75 million. The warrants were issued with an exercise price of HK\$3.16 per warrant and a term of 5 years. Pursuant to the 2020 Restructuring (see Note 13 of the audited financial statements for the three and nine months ended September 30, 2024), the Company has agreed to re-price the 8 million share purchase warrants previously issued to the lender. This re-pricing was subject to the Stock Exchange and Shareholder approval which was granted in August 2022. The new exercise price of the warrants was calculated at HK\$0.58 based on the average price of the Common Shares on the Stock Exchange for the five trading days immediately preceding the date on which the re-pricing of the exercise price of the warrants is approved by the Shareholders. Refer to Note 16 in the Financial Statements for additional information in respect of the amendments to the warrants.

As part of the repayment of the subordinated debt on March 27, 2023, the warrants were forfeited unexercised.

Convertible Debenture

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.6 million, bearing interest of 12% per annum payable monthly, and matures on July 24, 2025. The Company can repay the convertible debenture in full or part upon maturity including accrued and unpaid interest with common shares at a deemed price of HK\$0.20 per common share or one common share for each USD\$0.02558 of the convertible debenture outstanding including accrued and unpaid interest.

Upon initial recognition of the convertible debenture, the Company determined that the entire convertible debenture be accounted for as equity due to the fixed nature of the common shares to be issued and that the convertible debenture can be paid with common shares at the Company's discretion.

As at September 30, 2024, the Company has accrued and unpaid interest of C\$0.05 million against the outstanding convertible debenture.

Upon maturity, if the Company chooses to issue common shares instead of paying cash for the outstanding principal and unpaid interest the Company would issue 63,947,219 common shares.

Stock Options

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (“**Stock Option Plan**”). On May 18, 2020, the Company issued 3.78 million options with an exercise price of HK\$0.52 per option and a term of 5 years. On November 30, 2022, the Company issued 0.8 million options with an exercise price of HK\$0.48 per option and a term of 5 years. The options vest equally over a 3 year period, with the first tranche vesting on the first anniversary of the award, and the second and third tranches vesting equally on the second and third anniversary respectively. As at September 30, 2024 and as at the date of this MD&A, the Company has 3.08 million options outstanding (2023: 4.58 million).

COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. Refer to Notes 21 and Note 28 of the Financial Statements for disclosure of the Company's commitments and contingencies.

DIVIDEND

The Board did not approve the payment of a dividend for the three and nine months ended September 30, 2024 and 2023.

RELATED PARTY TRANSACTIONS

Refer to Notes 13, 19 and 26 of the Financial Statements for disclosure of the Company's related party transactions.

OFF-BALANCE SHEET TRANSACTIONS

The Company was not involved in any off-balance sheet transactions during the three and nine months ended September 30, 2024 and 2023.

PLEDGED ASSETS

As disclosed in this MD&A, all assets are pledged in support of the Company's debt arrangements and there are no other pledges.

CONTINGENT LIABILITIES

As at September 30, 2024 and up to the date of this MD&A, the Company had no material undisclosed contingent liabilities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this MD&A, the Company has neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures during the three and nine months ended September 30, 2024 and up to the date of this MD&A.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this MD&A, the Company did not have other plans for material investments or capital assets as of the date of this MD&A, as pursuant to paragraphs 32(4) and 32(9) of Appendix D2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

FINANCIAL RISK MANAGEMENT

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has implemented and monitors compliance with risk management policies. 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. The Company's financial risks are discussed in Note 27 of the Financial Statements.

The Company holds a number of financial instruments, the most significant of which are accounts receivable, accounts payable and accrued liabilities, cash and cash equivalents, long-term payable subordinated debt and shareholder loans. Due to their near-term maturities, accounts receivable, accounts payable and accrued liabilities, and cash and cash equivalents are recorded at fair value. The subordinated debt, shareholder loans, long-term payable, and CIMC and Jixing Loan debts are recorded at amortized cost.

The Company did not enter into any financial derivatives contracts for the three and nine months ended September 30, 2024 and 2023. For the nine months ended September 30, 2024, the Company experienced an unrealized foreign exchange loss of C\$0.31 million (2023: gain C\$0.24 million). These foreign exchange losses/gains are predominantly related to the revaluation of term debt held in United States Dollars and the value changes with the fluctuation in the United States Dollars/Canadian Dollars exchange rates. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates for the monetary assets and liabilities denominated in the currencies other than the functional currencies to which they relate. The Company has not hedged its exposure to currency fluctuation and the Company currently does not have a foreign currency hedging policy, however, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

RELATIONSHIPS WITH STAKEHOLDERS

The Company has actively cultivated, established, and maintained positive relationships with First Nations and all individuals and other enterprises who are proximate to, or interested in, the Company's projects. The Company provides project updates and meets with the local community on a regular basis to discuss its current and anticipated operations to pro-actively manage any potential concerns or issues. The Company also works closely with stakeholders at the municipal, provincial, and federal level to ensure that the regulatory authorities are aware of the Company's adherence to all requisite rules, regulations, and laws which pertain the Company's activities.

HUMAN RESOURCES

The Company had 5 employees as at September 30, 2024 (2023: 6 employees). The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. Employee compensation for the three and nine months ended September 30, 2024 totaled \$C0.17 million and C\$0.78 million (including C\$0.37 million of severance) respectively (2023: C\$0.18 million and C\$0.49 million respectively). In relation to staff training, the Company also provides different types of programs for its staff to improve their skills and develop their respective expertise.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 5 of the Financial Statements.

CHANGES IN ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable IFRSs as issued by the IASB. The IASB has issued a number of new and revised IFRSs effective January 1, 2023. For the purpose of preparing the financial statements, the Company has adopted all applicable new and revised IFRSs for the three and nine months ended September 30, 2024 (refer to Notes 4(r) and 4(s) of the Financial Statements).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2024 and ending September 30, 2024, Mr. Yongtan Liu in the capacity as Interim Chief Executive Officer (“**CEO**”), and Ms. Tara Leray Chief Financial Officer (“**CFO**”), have designed, or caused to be designed under their supervision, disclosure controls and procedures (“**DC&P**”) to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company’s CEO and CFO by others, particularly during the period in which the annual and quarterly filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

For the period starting January 1, 2024 and ending September 30, 2024, Mr. Yongtan Liu and Ms. Tara Leray, in their capacity as CEO and CFO’s of the Company respectively, have designed or caused to be designed under their supervision, internal controls over financial reporting (“**ICFR**”) to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

There were no changes made to JX’s internal controls over financial reporting during the period beginning on January 1, 2024 and ending on September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

Management has concluded that JX’s ICFR and DC&P was effective as of September 30, 2024. This assessment was based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

RISK FACTORS AND RISK MANAGEMENT

The Board has established a framework for identifying, evaluating and managing key risks faced by the Company. The Board, through the Audit and Risk Committee, reviews annually the effectiveness of the internal control system of the Company, considering factors such as:

- changes, since the last annual review, in nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results to the board which enables it to assess control of the Company and the effectiveness of risk management;
- the adequacy of resources, staff qualifications and experience and training programmes;
- budget of the Company's accounting and financial reporting functions; communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management;
- significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have caused unforeseeable outcomes or contingencies that had or might have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance with applicable listing rules and securities laws.

The liquidity position of JX would be expected to be improved by a material increase in future commodity prices and an increase in proved and probable reserves based on the Company's drilling program. The Company is involved in regular discussions with its lender and is continually pursuing other financing opportunities such as alternative debt arrangements, joint venture opportunities, property acquisitions or divestitures and other recapitalization opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. If the Company is unable to obtain additional financing or come to some other arrangement with its lender, it will be required to curtail certain capital expenditure activities and/or possibly be required to liquidate certain assets. Ongoing exploration and development of JX's properties will require substantial additional capital investment. Failure to secure additional financing, and/or secure other funds from asset sales, would result in a delay or postponement of development of these prospective properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favorable or acceptable to JX.

JX monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, royalty regime or taxation. In addition, JX maintains a level of liability, business interruption and property insurance which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in the Company's Annual Information Form ("AIF") for the year ended December 31, 2023. The AIF is available at the Company's website at www.jxenergy.ca and also www.sedarplus.ca.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the conduct of the Company's business more expensive or prevent the Company from conducting its business as currently conducted. JX focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

NON-IFRS FINANCIAL MEASURES

This MD&A or documents referred to in this MD&A make reference to the terms “operating netback” and “adjusted EBITDA” which are not recognized measures under IFRS, and do not have a standardized meaning prescribed by IFRS. Accordingly, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. Management considers operating netback an important measure to evaluate the Company's operational performance, as it demonstrates its field level profitability relative to current commodity prices. Management uses adjusted EBITDA to measure the Company's efficiency and its ability to generate the cash necessary to fund a portion of its future growth expenditures or to repay debt. Investors are cautioned that the non-IFRS measures should not be construed as an alternative to net income determined in accordance with IFRS as an indication of the Company's performance.

Operating netback

<i>C\$ 000s</i>	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
Commodity sales from production	252	3,951	(94%)	3,794	10,383	(63%)
Net trading revenue (loss)	(2)	–	(100%)	1	(22)	(107%)
Royalties	(49)	(459)	(89%)	(10)	(530)	(98%)
Operating costs	<u>(3,169)</u>	<u>(3,702)</u>	<u>(14%)</u>	<u>(10,143)</u>	<u>(10,218)</u>	<u>(1%)</u>
Operating netback	<u>(2,968)</u>	<u>(210)</u>	<u>1313%</u>	<u>(6,358)</u>	<u>(387)</u>	<u>1544%</u>

Adjusted EBITDA

C\$ 000s	Three months ended September 30,			Nine months ended September 30		
	2024	2023	Change	2024	2023	Change
(Loss) and comprehensive (loss)	(4,212)	(2,864)	47%	(11,490)	(6,925)	66%
Finance expenses	779	853	(9%)	2,514	1,379	82%
Depreciation and amortization	156	1,537	(90%)	1,464	3,956	(63%)
Non-cash share-based expenses	4	13	(70%)	12	69	(83%)
Phantom unit (recovery) expense	(7)	(93)	(93%)	(10)	(172)	(94%)
E&E Write-offs	—	5	(100%)	19	57	(67%)
Adjusted EBITDA	(3,280)	(549)	498%	(7,491)	(1,636)	358%

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”) to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the relevant code provisions contained in the CG Code during the three and nine months ended September 30, 2024 (the “**Reporting Period**”), save for the deviation from C.2.1 of the CG Code as explained below.

During the Reporting Period, Mr. Yongtan Liu was the chairman of the Board and Mr. Pingzai Wang was the Company’s CEO. Following the resignation of Mr. Wang as CEO on February 14, 2024 and the appointment of Mr. Liu as interim chief executive officer of the Company on February 14, 2024, Mr. Liu acts as the chairman of the Board and interim chief executive officer of the Company. This deviates from code provision C.2.1 of the CG Code, whereby the roles of chairman and the chief executive should be separate and should not be performed by the same individual.

The Board believes that Mr. Liu, being an executive Director and chairman of the Board, is already familiar with the Company's business operation and has excellent knowledge and experience of the Company's business which can help improve the operation efficiency of the Company and help facilitate the execution of the Company's business strategies. Under the supervision of the Board which will comprise of two executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and from time to time and will consider the segregation of the two roles at an appropriate time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

February 8, 2024 the Company completed a private placement issuing 30 million common shares at a price of HK\$0.24 per common share for gross proceeds and net proceeds (after deducting all related expenses) from the Subscription Shares amounted to C\$1,289,093.28 (equivalent to approximately HK\$7,450,959.16) and C\$1,273,522.35 (equivalent to approximately HK\$7,360,959.18), respectively. Each Subscription Share has no par value. The net Subscription Price, after deduction of all related expenses, is approximately HK\$0.2454 per Subscription Share.

On May 29, 2024, the Company completed a private placement issuing 33 million common shares at a price of HK\$0.22 per common share for gross proceeds and net proceeds (after deducting all related expenses) from the Subscription Shares amounted to C\$1,262,726 (equivalent to approximately HK\$7,233,143) and C\$1,244,832 (equivalent to approximately HK\$7,130,643), respectively. Each Subscription Share has no par value. The net Subscription Price, after deduction of all related expenses, is approximately HK\$0.2161 per Subscription Share.

Save as disclosed above, the Company has not purchased, redeemed or sold any of its listed securities during the Reporting Period.

REVIEW OF THE INTERIM RESULTS

The Company established an audit and risk committee of the Company (the “**Audit and Risk Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit and Risk Committee comprises three independent non-executive Directors, namely Mr. Clement Ka Hai Hung (Chairman), Mr. Zhanpeng Kong and Mr. Larry Grant Smith. The Audit and Risk Committee has reviewed the Company’s interim results for the three and nine months ended September 30, 2024 and has also discussed with management the internal control, the accounting principles and practices adopted by the Company. The Audit and Risk Committee is of the opinion that the interim results have been prepared in accordance with the applicable accounting standards, laws and regulations and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk), SEDAR+ (www.sedarplus.ca) and the Company (www.jxenergy.ca). This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

SELECTED ABBREVIATIONS

In this MD&A, the abbreviations set forth below have the following meanings:

Crude oil and natural gas liquids

Bbls/d or Bbl/d	barrels of oil per day
Bbls or Bbl	barrels of oil or barrel of oil
Boe	barrel of oil equivalent
Boe/d	barrel of oil equivalent per day
C\$/Bbl	Canadian dollars per barrel of oil
C\$/Boe	Canadian dollars per barrel of oil equivalent
Mbbls or Mbbl	thousand barrels
Mboe	thousand barrels of oil equivalent
Mbpd	thousand barrels per day
MMbbls	million barrels of oil
MMbbls/d	million barrels of oil per day
MMboe	million barrels of oil equivalent
MMboe/d	million barrels of oil equivalent per day
US\$/Bbl	US dollars per barrel of oil

Natural gas

Bcf	billion cubic feet
Bcm	billion cubic meters
Btu	British thermal units
Cf	cubic feet
C\$/Mcf	Canadian dollars per thousand cubic feet
C\$/MMbtu	Canadian dollars per million British thermal units
GJ	gigajoule
GJ/d	gigajoules per day
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of gas equivalent
Mcfe/d	thousand cubic feet of gas equivalent per day
MMbtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMcfe	million cubic feet of gas equivalent
MMcfe/d	million cubic feet of gas equivalent per day
tcf	trillion cubic feet
US\$/MMbtu	US dollars per million British thermal units

Other

km	kilometres
km ²	square kilometres
m	metres
m ³	cubic meters
mg	milligrams
°C	degrees Celsius

CONVERSION FACTORS — IMPERIAL TO METRIC

Bbl = 0.1590 cubic metres (m^3)

Mcf = 0.0283 cubic metres (10^3m^3)

acres = 0.4047 hectares (ha)

Btu = 1054.615 joules (J)

feet (ft) = 0.3048 metres (m)

miles (mi) = 1.6093 kilometres (km)

pounds (Lb) = 0.4536 kilograms (kg)