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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 ANNUAL RESULTS FOR
THE YEAR ENDED DECEMBER 31, 2024**

This announcement is issued pursuant to Rules 13.49(1) and 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of JX Energy Ltd. is pleased to announce its audited financial results for the year ended December 31, 2024.

The board (the “**Board**”) of directors (the “**Directors**”) of JX Energy Ltd. (the “**Company**”) is pleased to announce the audited annual financial results of the Company for the year ended December 31, 2024 (the “**Annual Results**”) and its business updates. The Board and its Audit and Risk Committee have reviewed the Annual Results and the Annual Results have been agreed with the Auditor. 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, March 28, 2025

Hong Kong, March 28, 2025

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 Ms. Kit Man To, Mr. Zhanpeng Kong and Ms. Jia Wei.

** For identification purpose only*

STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

(Expressed in Canadian dollars)

	Note	As at December 31, 2024	As at December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents	7	211,491	363,305
Accounts receivable	8	692,330	825,963
Prepaid expenses and deposits		242,314	881,702
Total current assets		1,146,135	2,070,970
Exploration and evaluation assets	9	3,884,949	5,914,591
Property, plant and equipment	10	20,660,091	26,733,502
Right of use assets	11	196,945	788,566
Total Assets		25,888,120	35,507,629
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	12	8,889,489	9,155,025
Current portion of long-term payable	13	644,112	943,165
Current portion of long term debt	13	4,544,566	3,529,806
Convertible debt	13	2,372,260	—
Current portion of lease liabilities	11	240,519	740,845
Convertible debt derivative portion	13	41,714	—
Decommissioning liabilities	14	691,448	821,820
Total current liabilities		17,424,108	15,190,661
Long-term accounts payable	13	20,052,041	12,343,492
Other liabilities	15	—	118,868
Lease liabilities	11	10,547	251,069
Long term debt	13	9,101,882	11,552,733
Decommissioning liabilities	14	760,517	1,550,791
Total liabilities		47,349,095	41,007,614

		As at December 31, 2024	As at December 31, 2023
	<i>Note</i>		
Shareholders' equity:			
Share capital	16	222,417,603	220,212,755
Contributed surplus		15,193,215	13,091,943
Accumulated deficit		<u>(259,071,793)</u>	<u>(238,804,683)</u>
Total shareholders' equity		<u>(21,460,975)</u>	<u>(5,499,985)</u>
Total Liabilities and Shareholders' Equity		<u><u>25,888,120</u></u>	<u><u>35,507,629</u></u>
Going concern	3		
Commitments	28		
Subsequent Events	29		

The accompanying notes form part of these annual financial statements.

Approved on behalf of the Board:

Signed “Yongtan Liu”, Director

Signed “Binyou Dai”, Director

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31, 2024

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2024	2023
Revenue			
Commodity sales from production	17	4,968,093	13,560,585
Trading revenue (loss)	17	1,659	(22,111)
Other income	17	19,507	1,563
Royalty expense		<u>(87,877)</u>	<u>(1,083,586)</u>
Total net revenue		4,901,382	12,456,451
Expenses			
Operating costs		(13,500,830)	(13,950,702)
General and administrative costs		(1,661,199)	(1,658,278)
Depletion, depreciation and amortization	10, 11	(1,474,900)	(5,334,980)
Impairment recovery and write-offs	18	<u>(4,471,173)</u>	<u>(10,387,644)</u>
Total expenses		<u>(21,128,514)</u>	<u>(31,331,604)</u>
Finance expenses	22	(4,066,880)	(2,060,619)
Change in fair value of derivative component of convertible debenture	13	6,490	—
Realized foreign exchange gain/(loss)		—	(13,929)
Loss on disposal of assets		<u>—</u>	<u>(196,463)</u>
Loss before taxes		(20,267,110)	(21,146,164)
Income taxes		<u>—</u>	<u>—</u>
Loss and comprehensive loss		<u><u>(20,267,110)</u></u>	<u><u>(21,146,164)</u></u>
Loss per share			
Basic and diluted	24	<u><u>(0.04)</u></u>	<u><u>(0.05)</u></u>
Diluted	24	<u><u>(0.04)</u></u>	<u><u>(0.05)</u></u>

The accompanying notes form part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2024

(Expressed in Canadian dollars)

	<i>Note</i>	Share Capital	Contributed Surplus	Accumulated Deficit	Total Equity
At January 1, 2024	16	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		(26,940)	–	–	(26,940)
Share-based expenses		–	16,004	–	16,004
Fair value adjustment on shareholder loan		–	13,911	–	13,911
Fair value adjustment on long-term payable	13	–	1,762,189	–	1,762,189
Income for the period		–	–	(20,267,110)	(20,267,110)
As at December 31, 2024	16	222,417,603	15,193,215	(259,071,793)	(21,460,975)

	<i>Note</i>	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total Equity
At January 1, 2023	16	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		–	–	46,764	–	46,764
Warrant forfeited		–	(647,034)	647,034	–	–
Fair value adjustment on long-term payable		–	–	5,058,599	–	5,058,599
Income for the period		–	–	–	(21,146,164)	(21,146,164)
At December 31, 2023	16	220,212,755	–	13,091,943	(238,804,683)	(5,499,985)

The accompanying notes form part of these annual financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2024	2023
Cash provided by (used in):			
Operations			
Net loss		(20,267,110)	(21,146,164)
Items not involving cash:			
Loss on disposal of assets		–	196,463
Depletion, depreciation and amortization		1,474,900	5,334,980
Share-based expenses		16,004	46,764
Non-cash change in phantom units		16,485	(101,420)
Non-cash finance expenses		2,788,712	861,868
Foreign exchange loss (gain)		1,159,830	(517,841)
Change in fair value of derivative component of convertible debenture	13	(6,490)	–
Impairment losses and write-offs		4,471,173	10,387,644
Funds used in operations		(10,346,496)	(4,937,706)
Changes in non-cash working capital	7	7,610,009	9,035,730
Total cash (used in) from operations		(2,736,397)	4,098,024
Investing			
Sale of exploration and evaluation assets		1,900,000	121,576
Expenditures on property, plant and equipment		(157,055)	(1,118,744)
Expenditures on exploration and evaluation assets		(410,133)	(2,655,560)
Net cash from (used in) investing		1,332,812	(3,652,728)
Financing			
Changes in subscriptions payable		(1,278,093)	1,278,093
Shares issued for cash, net of share issuance costs		2,540,956	1,863,266
Debenture proceeds received prior to issuance		2,114,801	–
Proceeds from debenture issuance	7	2,179,063	–
Proceeds from CIMC loan	7	–	4,802,315
Proceeds from shareholder loans	7	87,000	10,976,720
Repayment of shareholder loans	7	(1,889,552)	(1,758,984)
Principal portion of lease payments	11	(740,849)	(894,498)
Interest portion of lease payments	22	(87,824)	(172,869)
Repayment of term debt	7	(1,665,204)	(16,510,558)
Net cash from (used in) financing		1,260,298	(416,515)
(Decrease) increase in cash and cash equivalents		(143,287)	28,781
Effect of exchange rate changes on cash and cash equivalents		(8,527)	1,297
Cash and cash equivalents, beginning of period		363,305	333,227
Cash and cash equivalents, end of period	7	<u>211,491</u>	<u>363,305</u>
Supplementary information:			
Interest paid		<u>837,974</u>	<u>1,432,876</u>

The accompanying notes form part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024

(Expressed in Canadian dollars unless otherwise indicated)

1 CORPORATE INFORMATION

JX Energy Ltd., (the “**Company**” or “**JX**” or “**JX Energy**”) 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

(a) Statement of compliance

The financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), International Accounting Standards (“**IAS Standards**”) issued by the International Accounting Standards Board (“**IASB**”) and Interpretations (collectively “**IFRS Accounting Standards**”). The IASB has issued a number of revised IFRS Accounting Standards effective January 1, 2024. For the purpose of preparing these financial statements, the Company has adopted all applicable revised IFRS Accounting Standards for the years ended December 31, 2024 and 2023 (refer to Note 4).

The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently in all years presented in the financial statements.

The financial statements were authorized for issue by the Board on March 28, 2025.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial assets and liabilities which are measured at fair value as explained in accounting policies set out in Note 4.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

3 GOING CONCERN

The Company incurred a loss of C\$20.3 million for the year ended December 31, 2024 and had a working capital deficiency of C\$16.3 million as at that date. In addition, the Company has financial liabilities totaling C\$17.4 million that are on demand or have a contractual maturities within one year. The Company will be unable to repay these liabilities in full when they fall due unless it is able to generate sufficient net operating cash inflows and/or other sources. However, as at December 31, 2024, the Company only had cash and cash equivalents of C\$0.2 million.

The continued global impact of the wars in Ukraine and the middle east, global warming, tariff threats, 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 events or conditions may cast significant doubt about the Company's ability to continue as a going concern. In the opinion of the Board, the Company will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Company covering a period twelve months from the date of financial statements as authorized to issue after taking into the following considerations:

- The Company intends to elect to repay the existing convertible debenture by shares for the principal and unpaid interest balances instead of cash under the convertible debenture agreements;
- The Company entered into a new convertible debenture agreement with an independent third party for USD\$1.5 million in March of 2025;
- The Company expects to generate operating cash inflows;
- The Company would be able to obtain additional finance from shareholders;
- The Company has been negotiating the new debt replacement with the assistance of a capital corporation with a goal to complete a refinancing in June of 2025;
- The Company has been negotiating the extension agreement on CIMC Loan for one year; and
- A private company controlled by the shareholder of the Company would provide the sufficient financing support on the CIMC loan if it expired.

Notwithstanding the above, whether the Company would be able to continue as a going concern is dependent upon the successful implementation of the above plans and measures for which the outcomes are subject to the associated inherent uncertainties that include whether:

- Sufficient operating cash flows could be generated based on the forecast oil and gas prices;
- the shareholder could provide the necessary funding to the Company on a timely basis;
- the new debt placement could be completed timely to obtain additional capital;
- If an extension agreement on CIMC Loan could not be reached in a timely manner, the shareholder of the Company could provide the sufficient financing support on the CIMC Loan; and
- the Company would be able to repay the convertible debenture which would be expired in July with conversion of shares to increase the Company's liquidity cash.

On the assumption of successful implementation of the above, the directors considered that the Company would have sufficient financial resources to finance its operations and to meet financial obligations as and when they fall due. Accordingly, the financial statements are prepared on going concern basis notwithstanding that there is a material uncertainty related to the above events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Should the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying amount of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies have been applied consistently in all years presented in these financial statements.

(a) Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Sales of crude oil, natural gas and natural gas liquids

Revenue from the sale of crude oil and natural gas is recognized when title to the products passes to the purchasers based on volumes delivered at contracted delivery points and prices and are recorded gross of transportation charges incurred by the Company. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate under the effective interest method.

(b) Finance income and expenses

Finance income is comprised of interest income. Finance expenses are recognized as the interest accrues, using the effective interest method. The effective interest method uses the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Finance expense comprises interest expense and other fees on the bank loan and various other loans, amortization of debt issue costs, commitment charges and foreign exchange gains and losses on foreign currency transactions.

(c) Financial instruments

The Company recognizes financial assets and financial liabilities on the statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

(i) Financial assets and Financial Liabilities

- *Amortized cost*

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

- *Fair value through profit or loss (“FVTPL”)*

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Contracts to buy or sell a non-financial item that can be settled net in cash are accounted for as financial instruments, with the exception of those contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company’s expected purchase, sale or usage requirements. Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in income.

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.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of commodity in accordance with the Company’s expected purchase, sale or usage fall within the normal purchase or sale exemption and are accounted for as executory contracts.

- *Impairment of financial assets*

Financial assets are assessed with an expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract.

The Company recognizes loss allowances for ECL on trade receivables and financial assets at amortized cost. ECLs are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company measured loss allowances for trade receivables using the simplified approach under IFRS 9 and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to action such as realizing security (if any is held); or the financial asset is more than 90 days past due.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 12 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(ii) Financial liabilities

The Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortized costs are initially measured at fair value, net of directly attributable costs incurred.

- *Financial liabilities at amortized cost*

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

- *Effective Interest methods*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

- *Fair value through profit or loss (“FVTPL”)*

A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. FVTPL classified financial liabilities are accounted for in accordance with policy 4.(c)(i) above.

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group’s own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognized at fair value. In subsequent periods, the debt component of the convertible debenture is carried at amortized cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognized in profit or loss. Transaction costs that relate to the issue of the convertible debenture are allocated to the debt and derivative components in proportion to their relative fair values.

Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortized over the period of the convertible debenture using the effective interest method.

(d) Exploration and evaluation assets

Exploration and evaluation (“**E&E**”) assets include costs capitalized by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. E&E expenditures, including the costs of acquiring licenses and directly attributable general and administrative costs (“**G&A**”), geological and geophysical costs, other direct costs of exploration (drilling, trenching, sampling and evaluating the technical feasibility and commercial viability of extraction) and appraisal are accumulated and capitalized as E&E assets. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

E&E assets are initially capitalized as intangible assets and are not amortized. E&E assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is recognized in profit or loss and separately disclosed.

Once the technical feasibility and commercial viability is determined, E&E assets attributable to that area are assessed for impairment with any impairment loss recognized in profit or loss. The remaining carrying value of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment. Technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and commercial production of oil and gas has commenced on the license or field.

For divestitures of E&E assets, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment (“**PP&E**”) of the Company consists of development and production assets and office equipment.

Development and production assets

Development and production assets are carried at cost less accumulated depletion, depreciation, amortization, and impairment losses. The cost of a development and production asset includes the initial purchase price and directly attributable expenditures to develop, construct and complete an asset. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from E&E assets. Any costs directly attributable to bringing the asset to the location and condition necessary to operate as intended by management, and which result in an identifiable future benefit, are capitalized, including directly attributable G&A costs. Improvements that increase the capacity or extend the useful lives of related assets are also capitalized.

For divestitures of properties, a gain or loss is recognized in profit or loss for the difference between the net disposal proceeds and the carrying amount of the asset. Exchanges of properties are measured at fair value unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss.

Office equipment

Office equipment is carried at cost less accumulated amortization, depreciation, and impairment losses. The cost of office equipment assets includes the initial purchase price and directly attributable expenses to bring the asset into use.

Depreciation of office equipment is provided for on a five-year straight-line basis.

(f) Impairments

Development and production assets and right-of-use assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “**cash-generating unit**” or “**CGU**”).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal (“**FVLCD**”).

Value in use is estimated by consideration of the following:

- (i) net present value of the proved plus probable reserves as determined annually by independent reservoir engineers using future prices and costs using a pre-tax discount rate; and
- (ii) management’s estimate of net present value of additional asset development not included in (i) above, using a pre-tax discount rate.

FVLCD is estimated by consideration of the following:

- (i) net present value of proved plus probable reserves as determined annually by independent reservoir engineers using future prices and costs using a pre-tax discount rate;
- (ii) management’s estimate of fair value of undeveloped land;
- (iii) a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry; and
- (iv) management’s estimate of additional fair value from asset development not included in (i) above.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(g) Reversal of impairment

An impairment loss may be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and depletion, if no impairment loss had been recognized and circumstances indicate the loss no longer exists or is decreased. An impairment loss reversal is recognized in profit or loss.

(h) Depletion and depreciation

Depletion of development and production assets is provided using the unit-of-production method based on production volumes before royalties in relation to total estimated proved plus probable reserves as determined annually by independent reservoir engineers using future prices and costs. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion and depreciation are based on total capitalized costs plus estimated future development costs of proved plus probable reserves.

Depreciation of office equipment is provided for on a five-year straight-line basis.

(i) Decommissioning liability

The Company records a liability for the legal obligation associated with the retirement of long-lived tangible assets at the time the liability is incurred, normally when a long-lived tangible asset is purchased or developed, discounted to its present value using a risk-free interest rate. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning liability cost, which is depleted on a unit-of-production basis over the life of the estimated proved plus probable reserves, before royalties. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss in the period. The decommissioning liability obligation can also increase or decrease due to changes in estimates of timing of cash flow, changes in the original estimated undiscounted cost or changes in the discount rate. The decommissioning liability obligation is re-measured at each reporting date using the risk-free rate in effect at that time and the changes in fair value are capitalized as property, plant and equipment. Actual costs incurred upon settlement of the obligations are charged against the liability.

(j) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company may incur various costs when issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Costs related to a planned equity offering not completed at the financial statement date are recorded as deferred financing costs until the offering is either completed or abandoned. The costs of an equity transaction that is abandoned are recognized as an expense.

(k) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is recognized directly in shareholders' equity.

Current income taxes payable are based on taxable earnings for the year. Taxable earnings differs from profit before income taxes as reported in the statement of loss and comprehensive loss because of items of income or expense that are taxable or deductible in different years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period. Current taxes are recognized in profit or loss.

The Company follows the statement of financial position method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability.

Deferred income tax is calculated using the enacted or substantively enacted income tax rates expected to apply when the assets are realized, or the liabilities are settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss or shareholders' equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized only to the extent that it is probable that future taxable earnings will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is not probable that sufficient tax earnings will be available to allow all or part of the assets to be recovered. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arose in the same tax jurisdiction and relate to the same taxable entity.

(I) Related party transactions

- (1) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (2) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(m) Earning (loss) per share

Basic earning (loss) per share is calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potential shares, which is comprised of any outstanding awards, options or warrants.

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies judgement when reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Contractual arrangements containing a lease are then subject to various areas of judgement including the lease term and discount rate.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the minimum lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leased assets that have a lease term of 12 months or less and leases of low-value assets defined as leases with an annual obligation of C\$5,000 or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Share-based payments

The Company applies the fair-value method for valuing share option grants. Under this method, the compensation cost attributable to all share options granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of the share options, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company has a cash-settled incentive award plan (the “**Phantom Unit Plan**”) pursuant to which incentive awards may be granted to eligible directors as detailed in Note 19. Each incentive award entitles the holder to receive a cash payment equal to the value of one JX common share. The cumulative expense is recognized at fair value at each period end and is included in trade and other payables.

(p) Adoption of revised standards and interpretations

The following new IFRS Accounting Standards and interpretations were adopted by the Company on January 1, 2023:

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

There have been no new IFRS Accounting Standards or IFRIC interpretations that have a material impact on the Company’s results and financial position for the year ended December 31, 2024. The Company has not early applied any new or amended IFRS Accounting Standards that is not yet effective for the year ended December 31, 2024.

(q) Standards issued but not yet effective

The following new and revised IFRS Accounting Standards, potentially relevant to the Company's financial statements have been issued, but are not yet effective and have not been early adopted by the Company:

Amendments to IAS 21	<i>Lack of Exchangability¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments and Contracts Referencing Nature-dependant Electricity²</i>
Amendments to IFRS Accounting Standards	<i>Annual improvements to IFRS Accounting Standards Volume 11²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture⁴</i>

- (1) Effective for annual periods beginning on or after January 1, 2025.
- (2) Effective for annual periods beginning on or after January 1, 2026.
- (3) Effective for annual periods beginning on or after January 1, 2027.
- (4) Effective date for annual periods affected to be determined.

The Company is in the process of assessing what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. Whilst many of the requirements will remain consistent, the new standard introduces new requirements to present specified categories and defined subtotals in the income statement; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the primary financial statements and the notes. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted, and will be applied retrospectively. The application of the new standard is expected to affect the presentation of the statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is still currently assessing the impact that IFRS 18 will have on the Company's financial statements.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements:

(i) Identification of CGUs

The Company's assets are aggregated into CGUs for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, operating structure, commodity type and similar exposures to market risks. By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Company's assets in future periods.

(ii) Identification of impairment indicators, assessment of impairment and impairment recovery

IFRS Accounting Standards requires the Company to assess, at each reporting date, whether there are any indicators that its non-financial assets may be impaired. The Company is required to consider information from both external sources (such as a negative downturn in commodity prices and significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in reserves, significant adverse effect on the financial and operational performance of a CGU and evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Company's assets in future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty for the year ended December 31, 2024 that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

(i) Reserves

Reported recoverable quantities of proved and probable reserves requires estimation regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of the reservoir, and the anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from JX's petroleum and natural gas interests are evaluated by independent reserve engineers at least annually.

The Company's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and NGLs which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proved and probable if supported by either production or conclusive formation tests. JX's oil and gas reserves are determined in accordance with the standards contained in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and the Canadian Oil and Gas Evaluation Handbook.

(ii) Decommissioning obligations

The Company estimates future remediation costs of production facilities, well sites and gathering systems at different stages of development and construction of assets. In most instances, removal of assets occurs many years into the future. This requires an estimate regarding abandonment date, environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iii) *Impairment of non-financial assets*

For the purposes of determining the extent of any impairment or its reversal, estimates must be made regarding future cash flows taking into account key assumptions including future petroleum and natural gas prices, expected forecasted production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amount of the Company's assets, and impairment charges and reversals will affect income or loss.

(iv) *Going concern assumption*

The directors of the Company have prepared the financial statements on the assumption that the Company will be able to operate as a going concern in the foreseeable future, which is a critical judgement that has the most significant effect on the amounts recognized in the financial statements. The assessment of the going concern assumption involves making a judgement by the directors about the future outcome of events or conditions which are inherently uncertain. The directors consider that, after taking into account of all major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption as set out in Note 3 to the financial statements, the Company has the capability to continue as a going concern.

(v) *Taxes*

The Company files corporate income tax, goods and service tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of any differing tax positions through negotiations or litigation with tax authorities can take several years to complete. The Company does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. Estimates of future taxable income are based on forecasted funds from operations. During the years ended December 31, 2024 and 2023, the Company has not recorded any deferred tax assets or liabilities due to the uncertainty of future taxable profits.

6 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts presented in the statement of financial position related to the following categories of financial assets and financial liabilities:

C\$	As at December 31, 2024	As at December 31, 2023
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash and cash equivalents	211,491	363,305
Accounts receivable	692,330	825,963
	<u>903,821</u>	<u>1,189,268</u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Accounts payable and accrued liabilities	8,889,488	9,155,025
Long term payable	20,696,153	13,286,657
Long term debt	13,646,448	15,082,539
Convertible debenture	2,372,260	–
Other liabilities	–	118,868
	<u>41,714</u>	<u>–</u>
<i>Financial liabilities measured at fair value:</i>		
Convertible debt derivative portion	41,714	–
	<u>45,646,063</u>	<u>37,643,089</u>

The carrying value of financial assets and liabilities classified as current on the balance sheet, approximates their fair value due to their short-term nature.

7 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

<i>C\$</i>	As at December 31, 2024	As at December 31, 2023
Deposits with banks and other financial institutions	209,487	361,300
Cash on hand	<u>2,004</u>	<u>2,005</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u>211,491</u>	<u>363,305</u>

(b) Supplementary cash flows information

<i>C\$</i>	Year ended December 31, 2024	2023
Change in non-cash working capital:		
Accounts receivable	133,633	1,803,442
Prepaid expenses and deposits	639,386	(217,177)
Accounts payable and accrued liabilities ⁽¹⁾	<u>7,143,961</u>	<u>6,617,481</u>
	7,916,980	8,203,746
Change in non-cash working capital included in investing and financing activities	355,148	(831,984)
Change in non-cash working capital included in operating activities	<u>7,561,832</u>	<u>9,035,730</u>
	<u>7,916,980</u>	<u>8,203,746</u>

- (1) Includes the non-cash impact related to the long-term accounts payable balance and reclassification.

(c) Reconciliation of liabilities arising from financing activities

C\$	Lease liabilities	Shareholder loans	Subordinated debt	Term debt	Convertible Debentures	Total
At January 1, 2023	1,730,474	2,623,699	15,513,731	–	–	19,867,904
Changes from financing cash flows:						
Proceeds from debt	–	10,976,720	–	4,802,315	–	15,779,035
Interest paid	–	(711,060)	(408,425)	(313,392)	–	(1,432,877)
Principal repayment of lease liabilities	(894,498)	(1,758,984)	(15,000,000)	(760,558)	–	(18,414,040)
Exit fee paid	–	–	(750,000)	–	–	(750,000)
Interest repayment of lease liabilities	(172,869)	–	–	–	–	(172,869)
Changes from financing cash flows	(1,067,367)	8,506,676	(16,158,425)	3,728,365	–	(4,990,751)
Other charges:						
Lease additions	155,938	–	–	–	–	155,938
Interest expenses	172,869	711,060	408,425	313,392	–	1,605,746
Foreign exchange	–	(353,341)	–	(155,846)	–	(509,188)
Change in accrued and unpaid debt interest	–	–	50,000	–	–	50,000
Change in deferred debt costs	–	–	186,269	(174,085)	–	12,184
Accretion expense	–	(117,381)	–	–	–	(117,381)
Other charges	328,807	240,338	644,694	(16,539)	–	1,197,299
At December 31, 2023	991,914	11,370,713	–	3,711,826	–	16,074,452
At January 1, 2024	991,914	11,370,713	–	3,711,826	–	16,074,452
Changes from financing cash flows:						
Proceeds from debt	–	87,000	–	–	2,179,062	2,266,062
Interest paid	–	(583,594)	–	(254,380)	–	(837,974)
Principal repayment	(740,848)	(1,889,552)	–	(827,230)	–	(3,457,630)
Interest repayment of lease liabilities	(87,824)	–	–	–	–	(87,824)
Changes from financing cash flows	(828,672)	(2,386,146)	–	(1,081,610)	2,179,062	(2,117,366)
Other charges:						
Interest expenses	87,824	583,594	–	254,380	–	925,798
Foreign exchange	–	690,253	–	301,854	112,858	1,104,965
Change in accrued and unpaid debt interest	–	172,364	–	75,409	126,865	374,638
Change in deferred debt costs	–	–	–	53,565	–	53,565
Fair value adjustment	–	(13,911)	–	–	–	(13,911)
Fair value of debenture derivative	–	–	–	–	(46,525)	(46,525)
Accretion expense	–	(85,846)	–	–	–	(85,846)
Other charges	87,824	1,346,454	–	685,208	193,198	2,312,684
At December 31, 2024	<u>251,066</u>	<u>10,331,021</u>	<u>–</u>	<u>3,315,424</u>	<u>2,372,260</u>	<u>16,269,770</u>

8 ACCOUNTS RECEIVABLE

	As at December 31, 2024	As at December 31, 2023
C\$		
Trade receivables	691,842	829,041
Other receivables	488	(3,078)
Total	692,330	825,963

Other represents GST receivable/(payable) which resulted from adjustments after the December 31 GST return was filed in the respective periods.

(a) Aging analysis of trade receivables

As at December 31, 2024 and 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 expected credit losses is as follows:

	As at December 31, 2024	As at December 31, 2023
C\$		
Within 1 month	691,622	829,041
1 to 3 months	158	—
Over 3 months	62	—
Total	691,842	829,041

Trade receivables are generally collected within 25 days from the date of billing.

(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 years ended December 31, 2024 and 2023.

9 EXPLORATION AND EVALUATION ASSETS

<i>C\$</i>	As at December 31, 2024	As at December 31, 2023
Balance, beginning of period	5,914,591	10,257,507
Net Disposals	(1,881,304)	(275,443)
Recovery/(Impairment)	–	(3,998,011)
Write-offs	(148,336)	(69,462)
Balance, end of period	3,884,949	5,914,591

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 and write-offs of lease expiries. Impairment is assessed based on the recoverable amount compared with the asset’s carrying amount to measure the amount of the impairment (refer to Note 18). As at December 31, 2024, the Company realized an impairment of undeveloped assets for C\$nil (2023 – C\$4.0 million) based prevailing market factors at the time.

For the year ended December 31, 2024, the Company sold five sections of it’s non-producing Basing assets to an independent third party for a consideration of C\$1.9 million. The disposal was completed on April 1, 2024 and the Company derecognized the related assets and no gain or loss on the sale of the assets was recognized in the profit or loss for the year. For the year ended December 31, 2023, the Company 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.

10 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)
	<hr/>	<hr/>	<hr/>
At December 31, 2023	170,549,237	(143,815,735)	26,733,502
At January 1, 2024	170,549,237	(143,815,735)	26,733,502
Additions	101,002	–	101,002
Change in decommissioning obligations	(968,297)	–	(968,297)
Depletion and depreciation	–	(883,279)	(883,279)
Impairment/Write-offs	(3,036)	(4,319,801)	(4,322,837)
	<hr/>	<hr/>	<hr/>
At December 31, 2024	<u>169,678,906</u>	<u>(149,018,815)</u>	<u>20,660,091</u>

Substantially all of PP&E consists of development and production assets. During the years ended December 31, 2024 and 2023, the Company's PP&E additions were comprised of expenditures at Basing, Voyager and Dawson. Included in PP&E additions for the year ended December 31, 2024 are G&A costs of C\$0.1 million (2022 – C\$0.3 million) which were capitalized in accordance with the Company's accounting policies, 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 year ended December 31, 2024 includes estimated future development costs of C\$0.2 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 18).

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES

(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	<u>(297,577)</u>	<u>(486,702)</u>	<u>(11,030)</u>	<u>(795,309)</u>
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	<u>(88,671)</u>	<u>(490,917)</u>	<u>(12,033)</u>	<u>(591,621)</u>
At December 31, 2024	<u>55,198</u>	<u>132,395</u>	<u>9,352</u>	<u>196,945</u>

(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
Interest expense	62,136	108,753	1,980	172,869
Lease payment	<u>(397,500)</u>	<u>(655,867)</u>	<u>(14,000)</u>	<u>(1,067,367)</u>
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	–	–	–	–
Interest expense	21,892	64,660	1,271	87,823
Lease payment	<u>(130,000)</u>	<u>(684,672)</u>	<u>(14,000)</u>	<u>(828,672)</u>
At December 31, 2024	<u>74,329</u>	<u>167,922</u>	<u>8,814</u>	<u>251,065</u>

Future lease payments are due as follows:

<i>C\$</i>	Future lease payments	Interest	Present value
At December 31, 2024			
Within 1 year	264,304	23,785	240,519
1 to 2 years	11,522	976	10,546
Total	275,826	24,761	251,065

<i>C\$</i>	Future lease payments	Interest	Present value
At December 31, 2023			
Within 1 year	828,672	87,827	740,845
1 to 2 years	275,827	24,758	251,069
Total	1,104,499	112,585	991,914

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<i>C\$</i>	As at December 31, 2024	As at December 31, 2023
Trade payables	2,233,327	2,691,922
Accrued liabilities	1,281,133	1,395,092
Total trade payables and accrued liabilities	3,514,460	4,087,014
Capital payables	2,788,265	3,355,453
Other payables	2,586,764	1,712,558
Current accounts payable and accrued liabilities	8,889,489	9,155,025

All trade payables, accrued liabilities, capital payables, related party payables, and other payables are expected to be settled within one year or are payable on demand. For the years ended December 31, 2024 and 2023, accrued payables primarily consist of accrued professional fees and operating costs. For the years ended December 31, 2024 and 2023, capital payables are primarily comprised of costs incurred for the drilling in 2022, optimizing production in the Voyager CGU and costs incurred pursuant to the Contract (as defined below). For the year ended December 31, 2024, other payables includes C\$0.44 million (2023 – C\$0.38 million) owed pursuant to the Company’s Phantom Unit Plan (Note 19), convertible debenture proceeds received prior to the signing of the agreement of C\$2.1 million, and the remainder is primarily comprised of office renovation and rent inducement expenditures. For the year ended December 31, 2023, other payables included C\$1.3 million for share proceeds received prior to the issuance of the equity in February 2024.

During the year ended December 31, 2017, the Company entered into the Master Turnkey Drilling and Completion Contract (the “**Contract**”) with an arm’s length private company. Based on the Contract, the Company shall pay the invoices either within 90 days from the date of the invoice, or by installments as follows: (i) 15% due six months from the date of invoice, (ii) 35% due 12 months from the date of invoice and (iii) 50% due 24 months from the date of invoice. Any invoice balance outstanding for more than 90 days will bear interest at 4.24% per annum, calculated annually and prorated for the number of months outstanding with no compounding. For the years ended December 31, 2024, the outstanding balance included in Capital payables is approximately C\$2.1 million (2023 – approximately C\$2.7 million) and the Company accrued interest of C\$nil (2023 – C\$0.1 million) in respect of the Contract. The outstanding balances are unsecured.

Legal claims have been brought against the Company by certain vendors. All expected legal, settlement, and other fees have been accrued as at December 31, 2023. During the year ended December 31, 2024, the Company has reached a preliminary accommodation for the legal claims from 2023. In the opinion of the directors of the Company, 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 December 31, 2024.

Aging analysis of trade payables and accrued liabilities

As at December 31, 2024 and 2023, the aging analysis of trade payables and accrued liabilities are as follows:

C\$	As at December 31, 2024	As at December 31, 2023
Within 1 month	617,981	791,180
1 to 3 months	305,839	897,032
4 to 12 months	982,500	820,073
1 to 2 years	247,148	178,973
Over 2 years	79,859	4,664
Total	2,233,327	2,691,922

13 LONG-TERM DEBT, LONG-TERM PAYABLE AND CONVERTIBLE DEBENTURE

Long-term debt

As at December 31, 2024 and 2023, the balances related to the subordinated and term debts are as follows:

	As at December 31, 2024	As at December 31, 2023
C\$		
Shareholder loans (net)	10,331,024	11,370,713
Term debt	3,435,944	3,885,912
Less: deferred financing costs	<u>(120,520)</u>	<u>(174,086)</u>
Total	<u>13,646,448</u>	<u>15,082,539</u>
Current	4,544,566	3,529,806
Long term	<u>9,101,882</u>	<u>11,552,733</u>

(a) Subordinated debt

On March 27, 2023, Company repaid the outstanding subordinated debt balance of C\$15.75 million plus accrued and unpaid interest of C\$865,959.

(b) 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 certain PP&E owned by the Company, 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, collectively the “**Jixing GHCA**”), 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.

On November 25, 2024, CIMC Leasing USA, Inc., Jixing and the Company reached an agreement that a six-month period starting November 27, 2024 allowing the Company and Jixing to be in arrears without penalty or late fees for the repayment of monthly interest and principal payments in arrears (the “**Grace Period**”). No other terms were modified. The Company has to repay in full any foregone payments during the Grace Period by April 25, 2025 or the CIMC Loan and the Jixing Loan will be considered in default. As of December 31, 2024, there are three-months interest and principal payments on Jixing Loan of approximately USD\$600,093 and approximately USD\$262,542 on the CIMC Loan in arrears.

(c) **Shareholder loans**

On December 23, 2019, Jixing advanced C\$0.675 million to the Company (the “**2019 Shareholder Loan**”). The full proceeds of the 2019 Shareholder Loan were applied to amounts due in respect of the Contract (refer to Note 12). The 2019 Shareholder Loan had an initial term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the C\$0.6 million fair value of the 2019 Shareholder Loan as at December 31, 2019, the Company applied an effective interest rate of 5.97%, comprised of 4% base plus 1.97% Canadian Dealer Offered Rate (“**CDOR**”). The residual of C\$0.07 million was recorded to Contributed Surplus (refer to Note 16). On March 11, 2022, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan to December 23, 2024. On December 19, 2023, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan to December 23, 2025. On December 31, 2024, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan to December 23, 2026 and the entire balance has been classified as long-term.

On June 2, 2020, a JX director advanced C\$2 million to the Company (the “**2020 Shareholder Loan**”). The proceeds of the 2020 Shareholder Loan were used for working capital and general corporate purposes. The 2020 Shareholder Loan had an initial term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the C\$1.85 million fair value of the 2020 Shareholder Loan as at June 2, 2020, the Company assumed an effective interest rate of 4% per annum base plus one month CDOR, over the term of the 2020 Shareholder Loan. On this basis the effective rate was 4.28% per annum, comprised of 4% base plus 0.28% CDOR. The residual of C\$0.16 million was recorded to Contributed Surplus (refer to Note 16). On March 11, 2023, the Company and director agreed to extend the term of the 2020 Shareholder Loan to June 2, 2024. On December 19, 2023, the Company and the director agreed to extend the term of the 2019 Shareholder Loan to June 2, 2025. On December 31, 2024, the Company and the director agreed to extend the term of the 2019 Shareholder Loan to June 2, 2026 and the entire balance has been classified as long-term.

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. As at December 31, 2024, the outstanding balance of the Jixing Loan was C\$7.9 million or USD\$5.3 million (2023 – C\$8.9 million or USD\$6.7 million).

On February 9, 2024, Jixing advanced C\$0.09 million to the Company (the “**2024 Shareholder Loan**”). The 2024 Shareholder Loan has an initial term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the C\$0.08 million fair value of the 2024 Shareholder Loan as at February 9, 2024, the Company applied an effective interest rate of 9.1%, comprised of 4% base plus 5.1% Investment Industry Regulatory Organization of Canada’s (“**IRROC**”) one month Bankers’ Acceptance rate. The residual of C\$0.01 million was recorded to Contributed Surplus (refer to Note 16).

Long-term accounts payable

C\$	As at December 31, 2024	As at December 31, 2023
Opening carrying amount	13,286,657	12,697,872
Fair value adjustments	(1,762,189)	(5,058,599)
Initial measurement of Jixing GHCA liability	11,524,468	7,639,273
Additions	8,207,778	5,602,206
Less: Repayments	(523,000)	(703,505)
Accretion	1,486,907	748,683
Closing carrying amount	20,696,153	13,286,657
Current	644,112	943,165
Long term	20,052,041	12,343,492

On March 27, 2023, pursuant to the subordination agreement included the term debt agreement with CIMC (Note 13(b)), the modification of terms is accounted for as an extinguishment. A gain on extinguishment of substantially modified terms was recognized of C\$1.8 million in contributed surplus for the year ended December 31, 2024 (2023 – C\$5.1 million) for the difference between the fair value of the account payable under the subordination agreement with CIMC discounted at the new effective interest rate of 9.4% and a term of 48 months.

In determining the fair value of the Jixing GHCA for the year ended December 31, 2024, the Company applied an effective rate of 9.19% to 9.43% (2023 – 7.04%).

Under the terms of the Jixing GHCA (Note 26 (b)), the Company incurs monthly costs increasing the total liability over time. For the year ended December 31, 2024, the Company incurred an additional C\$8.2 million of cost (2023 – C\$5.1 million) related to the Jixing GHCA. Per the terms of the subordination agreement, the Company may make payments against the Jixing GHCA liability for regular operating payments. As at December 31, 2024, the management classified the amount of C\$0.6 million in the current portion of the long-term payable to reflect the Company’s anticipated payments to Jixing.

The Company has consulted their professional legal advisor to verify that the subordinated lender has provided consent for the subordination of all outstanding obligations owed by the Company as stated in the subordination agreement. Furthermore, the Company possesses an unconditional right to postpone the payment of payable amounts owed to the subordinated lender. As a result of this unconditional right to defer payment, the Company has classified the payables as non-current liabilities, indicating their long-term nature.

Convertible debentures

The movement of the debt and derivative components of the convertible debenture for the year is set out below:

	Debt component C\$	Derivative component C\$
As at December 31, 2023 and January 1, 2024	–	–
Proceeds of debt	2,179,062	–
Fair value of the derivative component recognised at the issue date	(46,525)	46,525
Interest expense (<i>Note 22</i>)	112,858	–
Change in fair value recognized In the profit or loss	–	(6,490)
Exchange adjustments	126,865	1,679
As at December 31, 2024	<u>2,372,260</u>	<u>41,714</u>

The fair value of derivative component of convertible debenture as at initial measurement and 31 December 2024 have been arrived using the Black-Scholes valuation model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 27(f). The share price as at 31 December 2024 was HK\$0.19.

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.

The convertible debenture due in 2025 contains two components, debt component and derivative component (including conversion option). Upon initial recognition, the fair value of debt component is USD\$1.57 million (equivalent to C\$2.2 million) and the fair value of derivative component is USD\$0.03 million (equivalent to C\$0.05 million). The derivative component is measured at fair value at initial recognition and at the end of the reporting period with fair value gain of C\$6,490 recognized in the profit or loss during the year.

The fair value of derivative component of convertible debenture as at initial measurement and December 31, 2024 have been arrived at on the basis of a valuation carried out by the management of JX Energy.

14 DECOMMISSIONING LIABILITIES

C\$	As at December 31, 2024	As at December 31, 2023
Balance, beginning of period	2,372,611	2,314,845
Change in estimate	(968,297)	12,228
Accretion expense (Note 22)	47,651	45,538
Balance, end of period	1,451,965	2,372,611
Current	691,448	821,820
Long term	760,517	1,500,791

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 December 31, 2024, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C\$1.5 million (2023 – C\$2.6 million) which will be incurred between 2025 and 2072. The majority of these costs will be incurred by 2050. As at December 31, 2024, an average risk free rate of 3.32% (2023 – 3.05%) and an inflation rate of 3.32% (2023 – 3.05%) were used to calculate the decommissioning obligations.

15 OTHER LIABILITIES

C\$	As at December 31, 2024	As at December 31, 2023
Accrued compensation per Phantom Unit Plan ¹	–	118,868
Total	–	118,868

- (1) In December 2019, the directors agreed that upon ceasing to be a member of the Board the cash redemption value of their Phantom Units would be paid by the Company not less than 366 days after the Director Termination Date. As at December 31, 2024, C\$nil Phantom Unit Plan amounts owed are held as other liabilities (2023 – C\$0.2 million), with C\$0.44 million (2023 – C\$0.38 million) classified as current and included in other payable (Note 12). Refer to Note 19 for additional disclosures in respect of the Phantom Unit Plan.

16 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)
	<u>–</u>	<u>(16,734)</u>
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	–	(26,940)
	<u>–</u>	<u>(26,940)</u>
At December 31, 2024	<u>522,886,520</u>	<u>222,417,603</u>

On March 7, 2024, the Company entered into private placement subscription agreements to issue 33 million common shares at a price of HK\$0.22 per common share for gross proceeds of HK\$7.26 million. On May 29, 2024 the Company completed the placing issuing 33 million common shares. At closing, the market price of the Company's common shares was HK\$0.188 and the HK\$0.032 in excess of market value totaling C\$0.19 million (HK\$1.1 million) was allocated to contributed surplus.

On November 20, 2023, the Company the Company entered into private placement subscription agreements to issue 30 million common shares at a price of HK\$0.24 per common share for gross proceeds of HK\$7.2 million (C\$1.27 million). As at December 31, 2023, the Company had received approximately C\$1.3 million, which was classified as other payables (Note 12). On February 8, 2024, the Company completed the placing issuing 30 million common shares. At closing, the market price of the Company's common shares was HK\$0.216 and the HK\$0.024 in excess of market value totaling C\$0.12 million (HK\$0.7 million) was allocated to contributed surplus.

On November 18, 2022, the Company entered into private placement subscription agreements to issue 10 million common shares at a price of HK\$1.11 per common share for gross proceeds HK\$11.1 million (C\$1.88 million). On August 11, 2023 the Company completed the placing issuing 10 million common shares. At closing, the market price of the Company's common shares was HK\$0.27 and the HK\$0.84 in excess of market value totaling C\$1.45 million (HK\$8.4 million) was allocated to contributed surplus.

(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 was 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 13), 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 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.

<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 December 31, 2024	3,080,200	\$0.51
	<hr/>	<hr/>

The average trading price of the Company's common shares was HK\$0.199 per share for the year ended December 31, 2024. The following table summarizes stock options outstanding and exercisable at December 31, 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	2.92 years	\$0.48	533,467	\$0.48
\$0.52	2,280,000	0.37 years	\$0.52	2,280,000	\$0.52
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(e) Contributed surplus:

As at December 31, 2024 and 2023, contributed surplus is comprised of the difference between the deemed fair value and gross value of the Shareholder Loans (refer to Note 13) at the date of initial recognition, share-based expenses incurred during the year, forfeiture of unexercised warrants, and the allocation of shares issued during the year in excess of market value.

17 REVENUE AND SEGMENT INFORMATION

Segment information

The Company's Chief Executive Officer (chief operating decision maker) reviews the financial information in order to make decisions about resources to be allocated to the segment and to assess its performance. No operating segment identified by the Chief Executive Officer has been aggregated in arriving at the reporting segments of the Company. For management's purpose, the Company has only one reportable operating segment, which is the oil and gas division. The division is principally engaged in oil and gas production, development, exploration and natural gas trading in western Canada for the years ended December 31, 2024 and 2023.

The Company's resources are integrated and as a result, no discrete operating segment financial information is available. Since this is the only reportable and operating segment of the Company, no further analysis thereof is presented. For the years ended December 31, 2024 and 2023, the revenue of the Company is generated from oil and gas production, natural gas trading and other income comprised of over-riding royalty payments and income generated from sources outside normal operations including rental income and subsidies.

Revenue summary

C\$	Year ended December 31,	
	2024	2023
Commodity sales from production		
Natural gas, natural gas liquids and condensate	3,840,586	11,507,972
Crude oil	1,127,507	2,052,613
Total commodity sales from production	4,968,093	13,560,585
Trading revenue (loss)		
Natural gas trading revenue	58,235	155,855
Natural gas trading cost	(56,576)	(177,966)
Total trading revenue (loss)	1,659	(22,111)
Other income		
Total other income	19,507	1,563

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, weekly 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. For the year ended December 31, 2024, other income was primarily comprised of rent subsidies and for the year ended December 31, 2023 other income was primarily comprised of over-riding royalties.

Information about major customers

During the year ended December 31, 2024, the Company had five active customers (2023 – five active customers), of which three customers exceeded 10% of the Company’s revenues (2023 – three). The Company’s largest customer accounted for 62% of revenues totaling C\$3.1 million (2023 – 68%, C\$9.2 million), the second largest customer accounted for 18% of revenues totaling C\$0.98 million (2023 – 18%, C\$2.1 million) and the third largest customer accounted for 16% of revenues totaling C\$0.8 million (2023: 10%, C\$1.4 million).

Geographical information

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

18 IMPAIRMENT LOSSES AND WRITE-OFFS

C\$	Year ended December 31,	
	2024	2023
E&E write-offs	148,336	69,462
E&E impairment	–	3,998,011
PP&E write-offs	3,036	–
PP&E impairment	4,319,801	6,320,171
Total	4,471,173	10,387,644

Impairment is assessed based on the recoverable amount compared with the asset’s carrying amount to measure the amount of the impairment. In addition, where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at cash generating unit (“CGU”), which is the smallest identifiable grouping of assets that generates largely independent cash inflows. E&E write-offs consist of land lease expires incurred during the period.

2024 PP&E impairment

At December 31, 2024, the Company identified indicators of impairment and/or impairment recovery in its PP&E assets in the Basing, Voyager and Dawson CGU’s attributable to changes in commodity prices and well performance. The recoverable amount of the Basing, Voyager and Dawson CGU’s were estimated based upon the higher of the value in use or fair value less costs of disposal. In each case, value in use was used and the recoverable amount is within the Level 3 hierarchy of IFRS 13. The Company calculated the recoverable amount of the Basing and Voyager CGU’s based on forecasted cash flows from proved plus probable reserves using a 10% and 12% before-tax discount rate, respectively, with escalated prices and future development costs as obtained from the independent reserve report. For the years ended December 31, 2024 and 2023, the carrying amount of the Dawson CGU was lower than its recoverable amount. No impairment recovery was recorded for the Dawson CGU as there were no prior period impairments remaining for Dawson.

At December 31, 2024, the Company identified indicators of impairment in its E&E assets in any CGU, and after performing additional assessment by management based on the nature of the E&E assets, no impairment was recognized.

The Company utilized the following benchmark prices to determine the forecast prices in the FVLCD calculations:

	As at December 31, 2024	
	Edmonton Oil (C\$/Bbl)	AECO Gas (C\$/mmbtu)
2025	94.79	2.36
2026	97.04	3.33
2027	97.37	3.48
2028	99.80	3.69
2029	101.79	3.76
2030	103.83	3.83
2031	105.91	3.91
2032	108.02	3.99
2033	110.19	4.07
2034	112.39	4.15
2035	114.64	4.24
2036	116.93	4.32
2037	119.27	4.41
2038	121.65	4.49
2039	124.09	4.58
2040 ⁽¹⁾	<u>+2.0%/yr</u>	<u>+2.0%/yr</u>

The following table summarizes the recoverable amount and impairment/(recovery) of the Basing and Voyager CGU's at December 31, 2024 and demonstrates the sensitivity of the estimated recoverable amount with respect to reasonably possible changes in key assumptions inherent in the estimate:

C\$	Recoverable Amount	Impairment	1% Change in Discount Rate	C\$2.50/bbl Change in Oil and NGL Price	C\$0.25/mcf Change in Gas Price
Basing CGU	17,176,962	4,119,361	713,000	219,000	2,469,000
Voyager CGU	<u>2,303,111</u>	<u>200,440</u>	<u>101,000</u>	<u>61,000</u>	<u>417,000</u>

2023 E&E impairment

At December 31, 2023 Company identified indicators of impairment in its E&E assets in the Basing CGU attributable to changes in the price of gas, future development certainty, and the sale of recent exploration and evaluation rights in the region of the Basing CGU. The Company calculated an impairment of C\$4.0 million representing the difference between the calculated estimate of fair value of the remaining acres and the total cost to date of C\$5.9 million. The recoverable amount of the E&E assets in the Basing CGU has been determined using the market approach by reference to recent land sales. The level in the fair value hierarchy in arriving at the recoverable amount of the E&E assets is considered under Level 3 on the basis of valuations carried out by management.

2023 PP&E impairment (recovery)

At December 31, 2023, the Company identified indicators of impairment and/or impairment recovery in its PP&E assets in the Basing, Voyager and Dawson CGU's attributable to changes in commodity prices and well performance. The recoverable amount of the Basing, Voyager and Dawson CGU's were estimated based upon the higher of the value in use or fair value less costs of disposal. In each case, fair value less costs of disposal was used and the recoverable amount is within the Level 3 hierarchy of IFRS 13. The Company calculated the recoverable amount of the Basing and Voyager CGU's based on forecasted cash flows from proved plus probable reserves using a 10% and 12% before-tax discount rate, respectively, with escalated prices and future development costs as obtained from the independent reserve report. Based on the assessment, the carrying amount of the Company's Basing CGU was higher than its recoverable amount and the Company recognized an impairment loss of C\$6.9 million as at December 31, 2023. The carrying amount of the Voyager CGU was lower than its recoverable amount and the Company recognized an impairment recovery of C\$0.59 million at December 31, 2023. At December 31, 2023, the carrying amount of the Dawson CGU was lower than its recoverable amount. No impairment recovery was recorded for the Dawson CGU as there were no prior period impairments remaining for Dawson.

The Company utilized the following benchmark prices to determine the forecast prices in the FVLCD calculations:

	As at December 31, 2023	
	Edmonton Oil	AECO Gas
	<i>(C\$/Bbl)</i>	<i>(C\$/mmbtu)</i>
2024	92.91	2.20
2025	95.04	3.37
2026	96.07	4.05
2027	97.99	4.13
2028	99.95	4.21
2029	101.95	4.30
2030	103.98	4.38
2031	106.07	4.47
2032	108.18	4.56
2033	110.35	4.65
2034	112.56	4.74
2035	114.81	4.84
2036	117.10	4.94
2037	119.44	5.03
2038	121.83	5.13
2039 ⁽¹⁾	<u>+2.0%/yr</u>	<u>+2.0%/yr</u>

(1) Approximate percentage change in each year thereafter after to the end of the reserve life.

The following table summarizes the recoverable amount and impairment/(recovery) of the Basing and Voyager CGU's at December 31, 2023 and demonstrates the sensitivity of the estimated recoverable amount with respect to reasonably possible changes in key assumptions inherent in the estimate:

C\$	Recoverable Amount	Impairment (Recovery)	1% Change in Discount Rate	C\$2.50/bbl Change in Oil and NGL Price	C\$0.25/mcf Change in Gas Price
Basing CGU	22,241,283	6,910,578	1,220,000	346,000	3,921,000
Voyager CGU	<u>2,561,208</u>	<u>(590,407)</u>	<u>131,511</u>	<u>61,084</u>	<u>424,688</u>

19 PERSONNEL COSTS, REMUNERATION POLICY AND AUDITORS' REMUNERATION

C\$	Year ended December 31,	
	2024	2023
Salaries, wages and other benefits (<i>net of recoveries</i>)	1,036,059	887,601
Retirement benefits contribution	<u>13,369</u>	<u>20,638</u>
Total	<u>1,049,428</u>	<u>908,239</u>

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.

During the year ended December 31, 2024, the Company recovered salary expenditures of C\$0.15 million (2023 – C\$0.14 million) pursuant to the Jixing Gas Handling and Voyager Compression Agreements as disclosed in Note 26(b). For the year ended December 31, 2024, the Company incurred a severance cost of C\$0.39 million which was offset by the temporary adjustment foregone upon resignation of C\$0.03 million to total C\$0.37 million.

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide separate pension, retirement or similar benefits for directors or executive officers or staff. The retirement benefits contribution relates to the employer portion of the Canadian Pension Plan which is a required employment expense of the Canadian government.

Phantom Unit Plan for independent non-executive directors

The Company has in place a phantom unit plan for its independent non-executive directors effective March 10, 2017 and applied retrospectively started from February 26, 2016 (the “**Phantom Unit Plan**”). In order for the eligible directors to receive the phantom units issued under the Phantom Unit Plan (the “**Phantom Units**”), they need to complete a participation form prior to the commencement of each fee period (i.e. twelve-month period commencing January 1 and ending on December 31). Since 2016, all independent non-executive directors agreed to receive 60% of their C\$100,000 annual fee (“**Independent Directors’ Fee**”) in the form of phantom units, and the remainder in cash. In August 2023, two independent non-executive directors resigned, and two new independent non-executive directors were appointed. In December 2024, two independent non-executive director resigned, and two new independent non-executive directors were appointed. The new independent non-executive directors in 2023 and 2024 did not join the Phantom Unit Plan, and the Independent Directors Fee was agreed as C\$10,000 to be paid in cash quarterly.

Until resignation in December 2024, the remaining independent non-executive director’s, Independent Directors Fee was paid quarterly as C\$10,000 in cash and C\$15,000 under the Phantom Unit Plan (the “**Phantom Fee**”), with the independent non-executive director annually receiving C\$40,000 in cash and C\$60,000 in Phantom Units.

Under the terms of the Phantom Unit Plan, the Company calculates the Phantom Units dividing the Phantom Fee by the weighted average-trading price of the Company’s common shares for the five days preceding each quarter end multiplied by the number of Phantom Units awarded during the quarter. For the years ended December 31, 2024 and 2023, total compensation accrued for each director under the Phantom Unit Plan is based on the total number of units awarded in the preceding quarters multiplied by the weighted average-trading price of the Company’s common shares for the five days preceding the period end.

During the year ended December 31, 2024, the Company expensed C\$0.02 million of directors’ compensation per the Phantom Unit Plan (2023 – recovery of C\$0.1 million). As at December 31, 2024, the total accrued compensation for independent non-executive directors per the Phantom Unit Plan was C\$0.44 million (2023 – C\$0.5 million).

In December 2019, the directors agreed that upon ceasing to be a member of the Board (the “**Director Termination Date**”), the cash redemption value of their Phantom Units is calculated as the number of units redeemed multiplied by the trading price of the Company’s shares at the Director Termination Date. The directors agreed that this value would be paid by the Company not less than 366 days after the Director Termination Date. For the year ended December 31, 2024 the independent non-executive director that resigned had a cash redemption value of their Phantom Units of C\$0.14 million. For the year ended December 31, 2024 the two independent non-executive directors that resigned had a cash redemption value of their Phantom Units of C\$0.21 million per director. At the time of their resignation, the directors agreed that the cash payments of C\$10,000 per quarter would continue for these former members, reducing the Phantom Units liability, with the balance payable 366 days after the Director Termination Date. As at December 31, 2024 the remaining cash value of the Phantom Units was C\$0.44 million and has been recorded as a current liability.

Auditors' remuneration

Auditors' remuneration incurred during the years ended December 31, 2024 and 2023 is as follows:

C\$	Year ended December 31,	
	2024	2023
Audit services	248,000	358,000
Non-audit services	8,089	—

20 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

C\$	Directors' fees and Phantom Unit payments	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments and Phantom Unit changes	Total Emoluments
<i>Executive directors</i>						
Pingzai Wang ¹	—	368,500	—	—	—	368,500
Yongtan Liu ²	—	—	—	—	—	—
Binyou Dai ³	—	218,500	—	—	—	218,500
<i>Independent non-executive directors</i>						
Larry Smith ^{4,5}	40,000	—	—	—	16,485	56,485
Clement Ka Hai Hung ^{5,6}	39,233	—	—	—	—	39,233
Zhanpeng Kong ⁵	40,000	—	—	—	—	40,000
Kit Man ⁶	767	—	—	—	—	767
Jia Wei ⁶	767	—	—	—	—	767
Total	120,767	587,000	—	—	16,485	724,252

- (1) Pingzai Wang was appointed as executive director of the Company on July 1, 2020 and resigned as an executive director on February 14, 2024. The amounts disclosed above for Mr. Wang are total of all emoluments he received during the year ended December 31, 2024 including severance.
- (2) Yongtan Liu does not receive any emoluments from the Company for his services. Refer to Note 26 for additional disclosures in respect of transactions with Mr. Liu and his affiliated entities. On February 14, 2024, Yongtan Liu was appointed as the Interim Chief Executive Officer of the Company when Pingzai Wang resigned.

- (3) Binyou Dai was appointed as executive director of the Company on February 14, 2024. The amounts disclosed above for Mr. Dai are total of all emoluments he received his appointment as an executive director. Refer to Note 21 for additional disclosure on the remaining balance of his emoluments for the year ended December 31, 2024.
- (4) Each of the independent non-executive directors' compensation who are part of the Phantom Unit Plan is C\$0.1 million per year, C\$0.04 million paid in cash quarterly (C\$10,000 per quarter), and C\$0.06 million paid in Phantom Units quarterly (C\$15,000 per quarter). The directors' fees reflect the adjustment for the fair value of the Phantom Unit component as described in Note 19. During the year ended December 31, 2024, the Company incurred C\$0.02 million of directors' compensation per the Phantom Unit Plan as a result of the increase in the trading price of the Company's common shares. The Company's total independent non-executive directors' compensation including the Phantom Unit Plan expense was C\$0.05 million for the year ended December 31, 2024.
- (5) Clement Ka Hai Hung and Zhanpeng Kong were appointed as independent non-executive directors effective August 1, 2023. Their compensation is C\$0.04 million per year payable quarterly in cash. Neither of these directors participate in the Phantom Unit Plan.
- (6) Clement Ka Hai Hung and Larry Smith resigned as directors effective December 24, 2024. The cash redemption value of Mr. Smith's Phantom Units was fixed at C\$0.15 million at the Director Termination Date in accordance with the terms of the Company's Phantom Unit Plan. Kit Man To and Jia Wei were appointed as independent non-executive directors effective December 24, 2024. Their compensation is C\$0.04 million per year payable quarterly in cash. Neither of these directors participate in the Phantom Unit Plan.

For the year ended December 31, 2024, there was no amount paid or payable by the Company to the directors (except the directors' compensation per the Phantom Unit Plan) or any of the five highest paid individuals as set out in Note 21 below as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any remuneration during the year ended December 31, 2024.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company. The independent non-executive directors' emoluments shown above were paid for their services as the directors of the Company.

Year Ended December 31, 2023:

C\$	Directors' Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total Emoluments
<i>Executive directors</i>						
Pingzai Wang ¹	–	330,000	–	–	18,706	348,706
Yongtan Liu ²	–	–	–	–	–	–
<i>Independent non-executive directors</i>						
Larry Smith ³	40,000	–	–	–	(5,317)	34,683
Clement Ka Hai Hung ⁴	16,667	–	–	–	–	16,667
Zhanpeng Kong ⁴	16,667	–	–	–	–	16,667
Richard Orman ^{3,5}	40,000	–	–	–	(48,051)	(8,051)
Peter Robertson ^{3,5}	40,000	–	–	–	(48,051)	(8,051)
Total	153,334	330,000	–	–	(82,713)	400,621

- (1) Pingzai Wang was appointed Chief Executive Officer of the Company on March 4, 2020, and appointed as executive director of the Company on July 1, 2020. The amounts disclosed above for Mr. Wang are total of all emoluments he received during the year ended December 31, 2024.
- (2) Yongtan Liu does not receive any emoluments from the Company for his services. Refer to Note 26 for additional disclosures in respect of transactions with Mr. Liu and his affiliated entities.
- (3) Each of the independent non-executive directors' compensation is C\$0.1 million per year, C\$0.04 million paid in cash quarterly (C\$10,000 per quarter), and C\$0.06 million paid in Phantom Units quarterly (C\$15,000 per quarter) for total gross annualized compensation of C\$0.3 million for the three independent non-executive directors. The directors' fees reflect the adjustment for the fair value of the Phantom Unit component as described in Note 19. During the year ended December 31, 2024, the Company recovered C\$0.1 million of directors' compensation per the Phantom Unit Plan as a result of the decrease in the trading price of the Company's common shares. After giving effect to the reversal of expense, the Company's total independent non-executive directors' compensation expense was C\$(0.04) million for the year ended December 31, 2024.
- (4) Clement Ka Hai Hung and Zhanpeng Kong were appointed as independent non-executive directors effective August 1, 2023. Their compensation is C\$0.04 million per year payable quarterly in cash. Neither of these directors participates in the Phantom Unit Plan.
- (5) Richard Orman and Peter Robertson resigned as directors effective August 1, 2023, and the cash redemption value of their Phantom Units was fixed at C\$0.17 million per director at the Director Termination Date in accordance with the terms of the Company's Phantom Unit Plan.

For the year ended December 31, 2023, there was no amount paid or payable by the Company to the directors (except the directors' compensation per the Phantom Unit Plan) or any of the five highest paid individuals as set out in Note 21 below as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any remuneration during the year ended December 31, 2023.

21 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the four individuals with the highest emoluments, Binyou Dai is a director of the Company as at December 31, 2024 (Pingzai Wang as at December 31, 2023). Their emoluments are disclosed in Note 20, the aggregate of the emoluments in respect of the other three individuals for each respective year is as follows:

<i>C\$</i>	Year ended December 31,	
	2024	2023
Salaries and other emoluments	372,882	503,488
Share-based compensation	16,004	28,059
Total	388,886	531,547

The emoluments of the above three individuals with the highest annual emoluments, excluding Binyou Dai (Pingzai Wang for 2023), are within the following bands:

<i>Hong Kong dollars</i>	Year ended December 31,	
	2024	2023
Nil – 1,000,000	2	1
1,000,001 – 1,500,000	1	1
1,500,001 – 2,000,000	–	1

22 FINANCE EXPENSES

C\$	Year ended December 31,	
	2024	2023
Interest expense and financing costs:		
Subordinated and Term debt <i>(Note 13)</i>	329,789	721,817
Shareholder term loan debt <i>(Note 13)</i>	755,959	711,060
Right of use assets and leases <i>(Note 11)</i>	87,824	172,869
Commitment charges ¹	78,739	(128,099)
Capital payables <i>(Note 12)</i>	–	120,663
Convertible debenture <i>(Note 13)</i>	112,858	–
Other financing costs and bank charges	39,614	78,191
Accretion expenses:		
Decommissioning liabilities <i>(Note 14)</i>	47,651	45,537
Shareholder loans <i>(Note 13)</i>	(85,854)	(117,381)
Long-term payable <i>(Note 13)</i>	1,486,907	748,683
Amortization of debt issuance costs	53,565	226,416
(Gain) loss on foreign exchange ²	1,159,828	(519,137)
Total finance expenses	4,066,880	2,060,619

- (1) For the years ended December 31, 2024 and 2023, commitment charges are primarily comprised of costs associated with the Company's PSG facility (Note 27(e)). For the year ended December 31, 2023, the Company reversed an accrued commitment fee from 2020 of C\$0.17 million as it is no longer due.
- (2) For the year ended December 31, 2024, the gain on foreign exchange is primarily due to the conversion of the Company's USD term debt, shareholder loan, and Convertible Debenture. For the year ended December 31, 2023 the gain on foreign exchange is primarily due to the conversion of the Company's USD term debt and shareholder loan.

23 INCOME TAXES

The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial tax rates to the loss before income taxes. The difference results from the following items:

C\$	Year ended December 31,	
	2024	2023
Loss before income taxes	(20,267,110)	(20,935,772)
Combined Federal and Provincial tax rate	<u>23.0%</u>	<u>23.0%</u>
Expected tax benefit	(4,661,435)	(4,815,227)
Increase in taxes resulting from:		
Non deductible expenses	790,901	133,400
Change in unrecognized deferred tax assets	117,734	117,444
Change in enacted tax rate and others	<u>3,752,800</u>	<u>4,564,383</u>
Income tax expense	<u><u>-</u></u>	<u><u>-</u></u>

During the year ended December 31, 2024, the blended statutory tax rate was 23% (2023: 23%).

Deferred tax assets have not been recognized for the following deductible temporary differences:

C\$	Year ended December 31,	
	2024	2023
PP&E and E&E assets	109,599,144	103,164,783
Decommissioning obligations	1,451,965	2,372,610
Non-capital losses and other	55,610,846	44,535,208
Lease liabilities	54,120	203,348
Share issue costs	72,522	67,874
Debt and other	(795,905)	(667,656)
Net capital losses	<u>39,400</u>	<u>39,400</u>
Total	<u><u>166,032,092</u></u>	<u><u>149,715,567</u></u>

At December 31, 2024, the Company has approximately C\$166 million of tax deductions, which include non-capital loss carry forwards of approximately C\$55 million that will begin to expire in 2037.

24 LOSS AND COMPREHENSIVE LOSS PER SHARE – BASIC AND DILUTED

<i>C\$ except share amounts</i>	Year ended December 31,	
	2024	2023
Loss and comprehensive loss	(20,267,110)	(21,146,164)
Weighted average number of common shares	506,165,209	453,776,931
Dilutive shares ¹	65,839,108	–
Income (loss) per share – basic	(0.04)	(0.05)

The options and the assumed conversion of the outstanding convertible debenture are excluded from the weighted-average share calculations for the years ended December 31, 2024 and 2023 because they were anti-dilutive.

25 DIVIDEND

The Board did not approve the payment of a dividend for the years ended December 31, 2024 and 2023.

26 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The key management personnel remuneration of the Company, including emoluments paid to the Directors as disclosed in Note 21, is as follows:

<i>C\$</i>	As at December 31, 2024	As at December 31, 2023
Director's fees	120,767	153,334
Salaries, allowance and other benefits	492,000	783,333
Share-based payments and phantom unit adjustments	32,489	(54,655)
Severance (<i>Note 20</i>)	346,500	–
Employer portion of Canadian Pension Plan contributions	3,868	3,754
Total	995,624	885,766

(b) Transactions with directors

Directors' Fees and Phantom Unit Plan

Except as described below, each of the independent non-executive directors' compensation is C\$0.1 million per year, C\$0.04 million paid in cash quarterly (C\$10,000 per quarter), and C\$0.06 million paid in Phantom Units quarterly (C\$15,000 per quarter) for total gross annualized compensation of C\$0.3 million for the three independent non-executive directors. The directors' fees reflect the adjustment for the fair value of the Phantom Unit component as described in Note 20. During the year ended December 31, 2024, the Company expensed C\$0.02 million of directors' compensation per the Phantom Unit Plan as a result of the increase in the trading price of the Company's common shares. The Company's total independent non-executive directors' compensation expense was C\$0.14 million for the year ended December 31, 2024.

Clement Ka Hai Hung and Zhanpeng Kong were appointed as independent non-executive directors effective August 1, 2023. Kit Man To and Jia Wei were appointed as independent non-executive directors effective December 24, 2024. Their compensation is C\$0.04 million per year payable quarterly in cash. None of these directors participates in the Phantom Unit Plan as described in Note 19.

Richard Orman and Peter Robertson resigned as directors effective August 1, 2023, and the cash redemption value of their Phantom Units was fixed at C\$0.17 million per director at the Director Termination Date in accordance with the terms of the Company's Phantom Unit Plan as described in Note 19. Payments made to Mr. Orman and Mr. Robertson reduce the outstanding Phantom Unit balance only.

Larry Smith and Clement Ka Hai Hung resigned as directors effective December 24, 2024. For Mr. Smith, the cash redemption value of his Phantom Units was fixed at C\$0.15 million at the Director Termination Date in accordance with the terms of the Company's Phantom Unit Plan as described in Note 19.

Jixing Gas Handling and Voyager Compression Agreements

On May 9, 2019, the Company entered into a gas handling agreement with Jixing Energy (Canada) Ltd. (“**Jixing**”) (collectively the “**Jixing Gas Handling Agreement**”). Jixing is a private Canadian company controlled by Yongtan Liu, who was appointed as director and Chairman of the Company on December 18, 2019. Under the terms of the Jixing Gas Handling Agreement, the Company will transport its gas from the Voyager area through Jixing’s gas gathering system. The agreement has a term of May 9, 2019 to December 31, 2044, however the Company’s obligations commenced with the commissioning of production operations at Voyager on June 29, 2020. For the year ended December 31, 2024, the Company incurred total costs of C\$6.4 million in respect of this agreement (2023: C\$4.9 million).

On November 1, 2019, the Company and Jixing entered into a gas compression agreement (the “**Jixing Voyager Compression Agreement**”). The agreement has a term of November 1, 2019 to December 31, 2026, however the Company’s obligations commenced with the commissioning of production operations at Voyager on June 29, 2020. For the year ended December 31, 2024, the Company incurred total costs of C\$2.0 million in respect of this agreement (2023 – C\$1.8 million).

Under the terms of the Jixing Gas Handling and Jixing Voyager Compression Agreements the Company will pay the following tariffs to Jixing annually from 2025 to 2044:

C\$	Monthly Gas Handling	Monthly Compression	Total Monthly	Total Annual
2025	618,219	146,000	764,219	9,170,628
2026	765,740	146,000	911,740	10,940,880
2027-2044	433,438	–	433,438	5,201,250

Pursuant to the Jixing Gas Handling and Voyager Compression Agreements, past costs incurred by the Company in respect of the Voyager gas gathering system and pipeline projects will be repaid by Jixing, along with annual charges of overhead and administrative costs incurred by the Company on behalf of Jixing. For the year ended December 31, 2024, the Company has recovered administrative costs per the contracts of C\$0.17 million (2023 – C\$0.32).

Prior to December 18, 2019, Jixing was not a related party to the Company. The terms of the agreements were determined through arm’s length negotiations, giving reference to the prevailing market rates quoted on normal commercial terms by providers of similar services in the same or nearby geographical regions.

Shareholder Loans

Details of the shareholder loans are set out in Note 13(c).

27 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 December 31, 2024, the Company's accounts receivables consisted of C\$0.7 million (2023 – C\$0.8 million) due from purchasers of the Company's crude oil and natural gas.

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 December 31, 2024. The Company has also not written off any receivables during the years ended December 31, 2024 and 2023 as trade 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 December 31, 2024 and 2023, all of the trade receivables were less than 60 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 following are the contractual maturities of financial liabilities as at December 31, 2024:

C\$	Carrying amount	Total	1 year or less	1-2 years	3-5 years	5+ years
Accounts payable and accrued liabilities	8,889,488	8,889,488	8,889,488	–	–	–
Long-term payable ³	20,696,153	25,281,351	654,122	–	24,627,229	–
Lease liabilities	251,065	275,828	264,305	11,523	–	–
Shareholder loans ¹	10,331,024	10,393,600	3,620,407	5,922,860	850,333	–
Convertible debenture	2,372,260	2,398,444	2,398,444	–	–	–
Term debt ²	3,315,424	3,435,944	1,583,928	1,479,996	372,020	–
Total	45,855,414	50,674,655	17,410,694	7,414,379	25,849,582	–

(1) Carrying amount is the net value of shareholder loans as per Note 13

(2) Carrying amount is the term debt value per Note 13 less the deferred financing costs

(3) Carrying amount is the long-term payable fair value per Note 13

The following are the contractual maturities of financial liabilities as at December 31, 2023:

C\$	Carrying amount	Total	1 year or less	1-2 years	3-5 years	5+ years
Accounts payable and acc. liabilities	9,155,025	9,155,025	9,155,025	–	–	–
Other liabilities	118,868	118,868	–	118,868	–	–
Lease liabilities	991,914	1,104,499	828,672	275,827	–	–
Shareholder loans ¹	11,370,713	11,557,083	2,455,517	8,319,962	781,604	–
Term debt ²	3,711,826	3,885,912	1,074,289	2,469,671	341,952	–
Long-term payable ³	13,286,657	17,596,573	943,165	1,328,224	15,325,184	–
Total	38,635,003	43,417,960	14,456,668	12,512,552	16,448,740	–

(1) Carrying amount is the net value of shareholder loans as per Note 13

(2) Carrying amount is the term debt value per Note 13 less the deferred financing costs

(3) Carrying amount is the long-term payable fair value per Note 13

(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 has taken advantage of the low price environment and purchased from the market to fulfill the committed forward contracts for natural gas, saving operating costs and arbitraging from the price difference. The Company did not enter into any financial derivatives such as hedging arrangements, to mitigate this risk for the years ended December 31, 2024 and 2023.

Interest rate risk

As at December 31, 2024, the Company's debts are comprised of lease liabilities, shareholder's loans, convertible debenture, term debt and amounts owing under the Contract (refer to Note 12), which all carry a fixed interest rate. As at December 31, 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 income (loss) for the years ended December 31, 2024 and 2023.

Foreign currency risk

The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian versus United States or Hong Kong vendors as well as timing of transactions. The Company recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in United States Dollars ("USD") or Hong Kong Dollars ("HKD") and the value changes with the fluctuation in the USD/CAD and HKD/CAD exchange rates. As at December 31, 2024 and 2023, the Company's overall net exposure to foreign exchange risk is as follows:

<i>Expressed in C\$</i>	Year ended December 31,	
	2024	2023
HKD Cash and cash equivalents	3,692	3,464
HKD Trade and other payables	(298,085)	(276,351)
USD Trade and other payables	(2,116,065)	–
USD Long term debt (<i>current and long term portions</i>)	(11,291,092)	(12,767,994)
USD Convertible debentures	(2,372,260)	–
Overall net exposure	<u>(16,073,810)</u>	<u>(13,040,881)</u>

Changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements for the years ended December 31, 2024 and 2023. Changes in the USD/CAD foreign exchange rate +/- US\$0.01 would increase/decrease the foreign exchange gain by approximately C\$0.1 million and increase/decrease the Company's USD denominated debt by the same amounts for the year ended December 31, 2024.

(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, shareholder loans, subordinated 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 Company's overall strategy remains unchanged from 2023.

The following represents the capital structure of the Company:

<i>C\$</i>	As at December 31, 2024	As at December 31, 2023
Long term debt <i>(excluding current portion as per Note 13)</i>	9,101,882	11,552,733
Long-term payable <i>(excluding current portion as per Note 13)</i>	20,052,041	12,343,492
Other liabilities	–	118,868
Long term lease liabilities <i>(current portion included in net working capital deficit)</i>	10,545	251,069
Convertible debenture	2,372,260	–
Net working capital deficit	16,277,972	13,119,691
	<hr/>	<hr/>
Net debt	47,814,700	37,385,853
Shareholders' equity	(21,460,975)	(5,499,985)
	<hr/>	<hr/>
Total	26,353,725	31,885,868
	<hr/>	<hr/>

(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 December 31, 2024, the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$650,000	March 16, 2025
C\$82,000	February 27, 2025

Subsequent to year end, received notice that the holder of the C\$82,000 L/C was called, and the EDC facility covered the amount of the L/C. The Company is working with EDC to repay the balance over a six month period.

For the year ended December 31, 2024, the Company incurred fees totaling C\$0.1 million (2023 – C\$0.1 million) in relation to the PSG facility.

The PSG facility has a 12 month term and must be renewed annually. The current term expires on August 31, 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.

(f) Fair value measurements of financial instruments

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of the Company's financial liabilities are determined (in particular the valuation technique and inputs used).

Financial liabilities	Fair value at 2024 C\$	Fair value hierarchy	Valuation technique and inputs used
Derivative component of convertible debenture	41,714	Level 3	Black-Scholes Model Fair value is estimated based on time-to-maturity, stock price, conversion price, risk-free rate, discount rate, expected volatility and expected dividend.

As at December 31, 2024 a 1% increase/(decrease) in growth rate would result in (decrease)/increase in fair value by C\$365.

There were no transfers among different levels during the year.

Reconciliation of Level 3 fair value measurements	Derivative component C\$
As at December 31, 2023 and January 1, 2024	–
Fair value recognised at the issue date	46,525
Change in fair value recognized in profit or loss	(6,490)
Exchange adjustments	1,679
As at 31 December 2024	41,714

The fair values of other financial liabilities of the Company are determined as follows:

- the fair value of financial liabilities carried at amortized costs is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, which the carrying amount is approximate to its fair value; and
- the fair value of financial guarantee contracts at initial recognition is determined to be insignificant, using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss given default.

28 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 to third parties as at December 31, 2024:

C\$	Total	Less than 1 year	1-2 years	3-5 years	After 5 years
Transportation commitment	6,489,541	3,388,673	3,100,868	–	–
Jixing agreements ²	113,734,000	9,170,628	16,142,130	10,402,500	78,018,742
PSG facility ¹	733,000	733,000	–	–	–
Total	120,956,541	13,292,301	19,242,998	10,402,500	78,018,742

- (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 27).
- (2) The transportation commitment reflects the transfer of 4.84 MMcfd/d during 2024 reducing the overall future commitment.
- (3) Jixing agreements are predominantly non-cash payables due to being subordinated to the term debt (see Note 13 (d)).

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	47.29	2018-12-01	2026-11-30	5 years

The firm service transportation agreements cover the period from November 1, 2013 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. During 2024, Company transferred 4.84 MMcf/d of its FT-R obligations to another issuer.

29 SUBSEQUENT EVENTS

On March 19, 2025 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.5 million (C\$2.1 million), bearing interest of 9% per annum payable monthly, and matures on December 10, 2025. As at December 31, 2024 the Company has received all payments related to this debenture and the proceeds have been included in other payables.

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\$0.02571 of the convertible debenture outstanding including accrued and unpaid interest.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“**MD&A**”) of JX Energy Ltd., (“**JX**” or “**JX Energy**” or the “**Company**”) should be read in conjunction with the Company’s audited financial statements and notes thereto for the years ended December 31, 2024 and 2023 (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 March 28, 2025.

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 March 19, 2025 the Company entered into a convertible debenture agreement with an independent third party for USD\$1.5 million, bearing interest of 9% per annum payable monthly, and matures on December 10, 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.

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	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Natural gas (mcf/d)	3,746	(16)	1,361	8,121	8,899	10,413	6,883	10,016
Crude oil (bbls/d)	28	33	33	42	59	57	62	63
NGLs and condensate (bbls/d)	33	0	18	84	90	112	41	63
Total production (boe/d)	685	30	280	1,480	1,633	1,904	1,251	1,795
Daily Average Trading								
Natural gas (boe/d)	18	3	4	31	9	12	92	7
Daily Average Sales (boe/d)	703	33	284	1,511	1,642	1,916	1,343	1,802
Financial								
<i>C\$000s except share amounts</i>	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Production revenue	1,174	252	715	2,827	3,177	3,951	2,391	4,041
Net trading (loss) revenue	-	(2)	-	3	-	-	(21)	(0)
Royalties (expense) recovery	(78)	(48)	70	(32)	(553)	(459)	541	(612)
Operating costs	(3,358)	(3,169)	(3,318)	(3,656)	(3,733)	(3,702)	(3,358)	(3,157)
Operating netback ¹	(2,262)	(2,967)	(2,533)	(858)	(1,109)	(210)	(447)	272
Net (loss) income	8,777	(4,212)	(3,848)	(3,430)	(14,235)	(2,863)	(1,966)	(2,082)
Net working capital ²	16,278	(20,606)	(13,307)	(12,177)	(13,120)	(11,874)	(16,526)	(10,680)
Total assets	25,888	30,812	31,340	34,722	35,508	47,264	48,474	49,914
Capital expenditures (disposals) ³	27	43	82	(32)	268	57	79	92
Income (loss) per share (basic & diluted)	(0.02)	(0.01)	(0.01)	0.01	(0.03)	(0.01)	(0.00)	(0.00)

- (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 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 January 2025. The Company expects that prices will begin to recover through 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 2024 and 2023 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 Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Production						
Natural gas (mcf/d)	3,746	8,899	(58%)	3,295	9,053	(64%)
Oil (bbl/d)	28	59	(53%)	34	60	(43%)
NGLs (bbl/d)	9	22	(60%)	9	21	(59%)
Condensate (bbl/d)	25	69	(64%)	25	56	(55%)
Total production (boe/d)	685	1,633	(58%)	617	1,646	(63%)
Trading						
Natural gas (mcf/d)	109	55	96%	83	179	(54%)
Total trading (boe/d)	18	9	96%	14	30	(54%)
Total sales volume (boe/d)	703	1,642	(57%)	631	1,676	(62%)

Total sales volume for the three months and year ended December 31, 2024 was 57% and 62% lower respectively, than the comparative period attributable to the Company’s gas wells being shut in from approximately June through October 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 1.8% respectively, of the total gas sold during the periods.

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 year ended December 31, 2024 and 2023 at approximately 1.6% and 1.4% respectively.

Oil production for the three months and year ended December 31, 2024 was 53% and 43% lower respectively, than the comparative periods in 2023 as the Company saw a reduction in production days for maintenance and repairs.

Revenue

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Production						
Natural gas	702	1,960	(64%)	2,855	9,186	(69%)
Crude oil	233	449	(48%)	1,128	2,053	(45%)
NGLs	30	63	(52%)	101	234	(57%)
Condensate	209	705	(70%)	884	2,088	(58%)
Total production revenue	1,174	3,177	(63%)	4,968	13,561	(63%)
Trading						
Natural gas trading revenue	20	13	54%	58	156	(63%)
Natural gas trading cost	(20)	(13)	54%	(57)	(178)	(68%)
Total trading revenue (loss)	–	–	(100%)	1	(22)	(105%)
Other income	5	(17)	(128%)	20	2	875%
Total revenue	1,179	3,160	(63%)	4,989	13,541	(63%)

Production revenue for the three months and year ended December 31, 2024 decreased 63% over the comparatives period in 2023 due to the drop in commodity prices and gas production being shut in for almost six months.

Crude oil production revenue for the three months and year ended December 31, 2024 was impacted by experiencing fewer production days due to repairs and maintenance. Crude oil prices increased in the three months and year ended December 31, 2024 compared to the same periods in 2023, however, the Company's average sales price was less than the market average for the three months and year ended December 31, 2024.

Other income for the year ended December 31, 2024 increased due to rental subsidies being recorded during the year. These rental subsidies end in February 2025.

Commodity prices

	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Natural gas (C\$/mcf)						
Average market price (AECO)	1.98	2.63	(25%)	1.50	2.69	(44%)
Average trading price	1.98	2.53	(22%)	1.92	2.39	(20%)
Average trading cost price	1.96	2.54	(23%)	1.87	2.72	(31%)
Average sales price	1.99	2.35	(15%)	2.27	2.73	(17%)
Crude oil (C\$/bbl)						
Average market price (Edmonton Par)	93.03	75.34	23%	98.10	80.42	22%
Average sales price	76.78	88.21	(13%)	90.69	93.59	(3%)
Sales/market differential	(17%)	17%		(8%)	16%	
NGLs (C\$/bbl)						
Average market price (Propane/Butane)	26.22	30.38	(14%)	34.58	35.68	(3%)
Average sales price	37.46	27.94	34%	95.72	31.22	207%
Sales/market differential	43%	(8%)		177%	(13%)	
Condensate (C\$/bbl)						
Average market price (Pentane Plus)	93.24	117.67	(21%)	99.14	106.75	(7%)
Average sales price	99.02	104.32	(5%)	95.72	101.33	(6%)
Sales/market differential	6%	(11%)		(3%)	(5%)	

Realized gas price sales for the year ended December 31, 2024 was 17% 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 year ended December 31, 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 months and year ended December 31, 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 and year ended December 31, 2024, the average sales price for NGLs 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 months ended December 31, 2024 were higher 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. 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

<i>C\$ 000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Natural gas, NGLs and condensate	8	351	(98%)	(281)	254	(211%)
Crude oil	70	202	(65%)	369	830	(56%)
Total royalties	78	553	(86%)	88	1,084	(92%)
Effective average royalty rate	7%	17%	(62%)	2%	8%	(78%)

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 months and year ended December 31, 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

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Natural gas, NGLs and condensate	3,271	3,544	(8%)	12,926	13,464	(4%)
Crude oil	87	189	(54%)	575	487	18%
Total operating costs	3,358	3,733	(10%)	13,501	13,951	(3%)
Unit Cost (C\$/boe)						
Natural gas, NGLs and condensate	54.07	24.47	121%	60.57	23.26	160%
Crude oil	34.36	34.84	(1%)	46.22	22.21	108%
Average cost	53.28	24.85	114%	59.78	23.22	157%

Total operating costs (“**opex**”) for natural gas, NGLs and condensate for the three months and year ended December 31, 2024 were 8% and 4% lower than the comparative periods in 2023. The decrease for the three months and year ended December 31, 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. On a Unit Cost basis, 2024 opex for the three months and year ended December 31, 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 for the year ended December 31, 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 Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Staff costs	128	190	(33%)	904	683	32%
Directors fees	44	(3)	(1567%)	154	87	77%
Phantom Unit charges (recovery)	26	71	(63%)	16	(101)	(116%)
Accounting, legal and consulting fees	500	635	21%	872	1,176	26%
Office	(55)	(63)	(13%)	(253)	(222)	14%
Share-based expense	4	(22)	(118%)	16	47	(66%)
Operational expense recovery	(171)	(323)	(47%)	(171)	(323)	(47%)
Other	34	23	48%	123	311	(61%)
Total G&A costs	510	508	0%	1,661	1,658	0%
Capitalized staff costs	53	60	(11%)	113	226	(50%)

For the year ended December 31, 2024, the increase in staff costs and directors fees reflect the changes in the CEO and board. In February 2024, the Company’s CEO resigned, and a severance of \$385,000 was incurred.

For the three months and year ended December 31, 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 and reductions in the Company’s annual audit and legal fees.

For the three months and year ended December 31, 2024, office expenses decreased over the same periods in 2023 primarily due to the Company moving its head office and subleasing the space. For the three months ended December 31, 2024 other costs include memberships, travel and accommodation, and the total amounts are consistent with the prior period. For the year ended December 31, 2024 other costs dropped due to the Company not renewing certain computer and software contracts that were in effect for 2023.

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

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Interest expense and financing costs:						
Subordinated and Term debt	77	97	(21%)	330	722	(54%)
Shareholder loan term debt	176	242	(27%)	756	712	6%
Right of use assets and leases	21	48	(56%)	88	173	(49%)
Commitment charges	14	(160)	(109%)	79	(128)	(162%)
Capital payables	–	–	–	–	121	(100%)
Convertible debenture (<i>Note 13</i>)	65	–	100%	113	–	100%
Other financing costs and bank charges	7	80	(92%)	40	76	(49%)
Accretion expenses:						
Decommissioning liabilities	(1)	(17)	(94%)	48	46	4%
Shareholder loans	(109)	(88)	24%	(86)	(117)	(27%)
Long-term payable (<i>Note 13</i>)	432	749	(42%)	1,487	749	99%
Amortization of debt issuance costs	13	13	–	54	226	(76%)
Loss (gain) on foreign exchange	858	(282)	(404%)	1,160	(519)	(323%)
Total finance expenses	1,553	682	128%	4,067	2,061	97%

For the three months and year ended December 31, 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. In November 2024, the Company obtained an agreement from its term lenders, whereas, the Company has been given a grace period for payments on its loans until April 27, 2025. If the agreement is not extended, the Company is required to repay the foregone interest and principal payments in full on April 27, 2025.

For the three months and year ended December 31, 2024 and 2023, accretion expenses were incurred from decommissioning liabilities and the fair-value adjustments of the Company's long-term payable, convertible debenture 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 months and year ended December 31, 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 Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Depletion	(135)	1,188	(111%)	878	4,534	(81%)
Depreciation	1	1	–	5	6	(19%)
Amortization of right of use assets	144	190	(24%)	592	795	(26%)
Total DD&A	11	1,379	(99%)	1,475	5,335	(72%)
Per boe	0.21	9.18	(98%)	6.54	8.88	(26%)

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 decrease in DD&A on a per boe basis for the three months and year ended December 31, 2024 is attributable to the reduction in the Company's reserves from production.

Impairment Recovery and Write-Offs

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
E&E write-offs	129	13	892%	148	70	112%
PP&E impairment	4,320	6,320	(32%)	4,320	6,320	(32%)
E&E impairment	–	3,998	(100%)	–	3,998	(100%)
PP&E write-offs	3	–	100%	3	–	100%
Total impairment (recovery)	4,452	10,331	(57%)	4,471	10,388	(57%)

E&E write-offs in the three months and year ended December 31, 2024 and 2023 are attributable to the expiration of undeveloped land in the Company's Dawson cash generating unit ("CGU"). PP&E write-offs for the three months and year ended December 31, 2024 are attributable to the expiration of land in the Company's Voyager CGU.

For the three months ended December 31, 2023, the Company identified indicators of impairment of its E&E assets in the Basing CGU and an impairment of C\$4.0 million was recorded. 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.

For the three months ended December 31, 2024, the Company identified indicators of impairment of its PP&E assets in the Basing and Voyager CGUs, attributable to changes in commodity prices and revised production estimates. The recoverable amount of the Basing and Voyager CGU's were estimated based upon the higher of value in use or fair value less costs of disposal. Fair value less costs of disposal was used, and the recoverable amount is within the Level 3 hierarchy of IFRS 13.

As at December 31, 2024, the Company calculated the recoverable amount of the Basing CGU based on forecasted cash flows from proved plus probable reserves using a 10% before-tax discount rate (2023 – 10%), with escalated prices and future development costs as obtained from the independent reserve report. Based on the assessment, the carrying amount of the Company's Basing CGU was higher than its recoverable amount, and the Company recognized an impairment of C\$4.1 million (2023 – C\$6.9 million).

As at December 31, 2024, the Company calculated the recoverable amount of the Voyager CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate (2023 – 12%), with escalated prices and future development costs as obtained from the independent reserve report. Based on the assessment, the carrying amount of the Company's Voyager CGU million was higher than its recoverable amount, and the Company recognized an impairment of C\$0.2 million (2023 – impairment recovery C\$0.6 million).

Loss and Comprehensive Loss

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Total loss and comprehensive loss	8,777	(14,221)	38%	20,267	(21,146)	4%

Loss and Comprehensive loss for the three months and year ended December 31, 2024 was 38% and 4% higher than the comparative periods in 2023, attributable to lower DD&A, impairment and royalties offset by the impact of reduced commodity pricing and production in 2024 compared to the previous periods.

CAPITAL EXPENDITURES

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
PP&E Assets						
Office equipment	–	–	–	–	3	(100%)
Drilling, completion and workovers	–	202	(100%)	(11)	206	(106%)
G&A costs capitalized	27	60	(55%)	112	286	(61%)
Total PP&E	27	262	(90%)	101	495	(80%)
E&E Assets						
Drilling, completion and workovers	–	12	(100%)	19	43	(57%)
Total E&E	–	12	(100%)	19	43	(57%)
Total PP&E and E&E	27	274	(90%)	120	538	(78%)
Change in non-cash working capital	(356)	(1,112)	(68%)	(775)	(3,237)	(76%)
Total	(329)	(838)	(61%)	(655)	(2,699)	(76%)

In the three months and year ended December 31, 2024, the Company capitalized a total of C\$0.03 million (2023 – C\$0.06 million) and C\$0.1 million (2023 – C\$0.3 million) of G&A respectively, in accordance with its accounting policies (refer to Note 4 in the Financial Statements).

In the year ended December 31, 2024 and 2023, E&E capital expenditures of C\$0.02 million 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.

For the year ended December 31, 2023 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.

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:

<i>C\$ 000s</i>	As at December 31, 2024	As at December 31, 2023
Long term debt ⁽¹⁾	9,102	11,553
Long term accounts payable ⁽⁵⁾	20,052	12,343
Convertible debenture ⁽⁶⁾	2,372	–
Other liabilities	–	119
Long-term lease liabilities ⁽²⁾	11	251
Net working capital deficit ⁽²⁾	16,278	13,120
Net debt	47,815	37,387
Shareholders' equity ⁽³⁾	21,461	(5,500)
Total capital	26,354	31,887
Gearing ratio⁽⁴⁾	181%	117%

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 portions of lease liabilities, CIMC and Jixing Loan term debts, shareholder loans, and long-term accounts payable are included in net working capital.
- 3 As at December 31, 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 December 31, 2024, all options were antidilutive.
- 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.
- 6 As at December 31, 2024, the Company had estimated 65,839,108 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 earnings per share calculation.

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 December 31, 2024, the Company has PSG coverage for the following L/C’s:

Amount	Expiry
C\$650,000	March 16, 2025
C\$82,000	February 27, 2025

Subsequent to year end, received notice that the holder of the C82,000 L/C was called, and the EDC facility covered the amount of the L/C. The Company is working with EDC to repay the balance over a six month period.

For the year ended December 31, 2024, the Company incurred fees totaling C\$0.1 million (2023 – C\$0.1 million) in relation to the PSG facility.

The PSG facility has a 12 month term and must be renewed annually. The current term expires on August 31, 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 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.

On February 9, 2024, Jixing advanced C\$0.09 million to the Company (the “**2024 Shareholder Loan**”). The 2024 Shareholder Loan has an initial term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion.

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.

In November 2024, the Company obtained an agreement from its term lenders, whereas, the Company has been given a grace period for payments on its loans until April 27, 2025. If the agreement is not extended, the Company is required to repay the foregone interest and principal payments in full on April 27, 2025.

At December 31, 2024, the Company had a working capital deficiency of C\$16.3 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, tariff threats, 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 Circular ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to Dec 31, 2024 ²	Actual use of net proceeds during the period from the Closing Date to Dec 31, 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 Dec 31, 2024 ²	Actual use of net proceeds during the period from the Closing Date to Dec 31, 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 December 31, 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 year ended December 31, 2023), 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. Refer to Note 13 in the Financial Statements for additional information on the valuation of the debt and derivative related to the convertible debenture.

As at December 31, 2024, the Company has accrued and unpaid interest of C\$0.1 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 approximately 70,054,730 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 December 31, 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 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 years ended December 31, 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 months and year ended December 31, 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 December 31, 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 months and year ended December 31, 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 months and year ended December 31, 2024 and 2023. For the year ended December 31, 2024, the Company experienced an unrealized foreign exchange loss of C\$1.13 million (2023: gain C\$0.52 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 3 employees as at December 31, 2024 (2023: 5 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 months and year ended December 31, 2024 totaled \$C0.13 million and C\$0.9 million (including C\$0.37 million of severance) respectively (2023: C\$0.19 million and C\$1.0 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, 2024. For the purpose of preparing the financial statements, the Company has adopted all applicable new and revised IFRSs for the year ended December 31, 2024.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2024 and ending December 31, 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 December 31, 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 Energy's internal controls over financial reporting during the period beginning on January 1, 2024 and ending on December 31, 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 Energy's ICFR and DC&P was effective as of December 31, 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 Energy 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 Energy’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 Energy.

JX Energy 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 Energy 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, 2024. 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 Energy 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 Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
Commodity sales from production	1,174	3,178	(63%)	4,968	13,561	(63%)
Net trading revenue (loss)	–	–	(100%)	2	(22)	(108%)
Royalties	(78)	(554)	(86%)	(88)	(1,084)	(92%)
Operating costs	<u>(3,358)</u>	<u>(3,733)</u>	<u>(10%)</u>	<u>(13,501)</u>	<u>(13,951)</u>	<u>(3%)</u>
Operating netback	<u>(2,262)</u>	<u>(1,109)</u>	<u>104%</u>	<u>(8,619)</u>	<u>(1,496)</u>	<u>476%</u>

Adjusted EBITDA

<i>C\$000s</i>	Three months ended Dec 31,			Year ended Dec 31,		
	2024	2023	Change	2024	2023	Change
(Loss) and comprehensive (loss)	(8,777)	(14,221)	(38%)	(20,267)	(21,146)	(4%)
Finance expenses	1,553	681	128%	4,067	2,060	97%
Depreciation and amortization	11	1,379	(99%)	1,475	5,335	(72%)
Non-cash share-based expenses	4	(22)	(118%)	16	47	(66%)
Phantom unit (recovery) expense	26	71	(63%)	16	(101)	(116%)
E&E Write-offs	130	139	(7%)	148	196	(24%)
Impairment (recovery)	<u>4,471</u>	<u>10,388</u>	<u>(57%)</u>	<u>4,471</u>	<u>10,388</u>	<u>(57%)</u>
Adjusted EBITDA	<u>(2,582)</u>	<u>(1,585)</u>	<u>63%</u>	<u>(10,074)</u>	<u>(3,221)</u>	<u>213%</u>

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 year ended December 31, 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 (including sale of treasury shares, if any) during the Reporting Period.

REVIEW OF THE ANNUAL RESULTS

The annual results announcement of the Company for the year ended December 31, 2024, was reviewed by the audit and risk committee of the Company (the “**Audit and Risk Committee**”) and approved by the Board. The financial figures in respect of the Company’s financial statements for the year ended December 31, 2024 as set out in the announcement in relation to the annual results for the year ended December 31, 2024 have been compared by the Company’s auditor, Moore CPA Limited, (the “**Auditor**”), to the amounts set out in the Company’s financial statements for the Year and the amounts were found to be in agreement.

The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement in accordance with International Standards on Auditing, International Standard on Review Engagements or International Standard on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Auditor.

As at the date of this announcement, the Audit and Risk Committee, which consists of three members, all of whom are independent non-executive Directors, has reviewed the Company’s Audited Year End Results. The Audit and Risk Committee is of the opinion that such financial statements comply with (i) the applicable IFRSs, including all applicable individual IFRSs, IASs and interpretations issued by the IASB; and (ii) the Listing Rules and the Stock Exchange’s legal requirements, and that adequate disclosures have been made.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Company's audited financial statements for the Year. The report includes paragraphs of material uncertainty related to going concern, without modification:

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Material Uncertainty Related To Going Concern

We draw attention to Note 3 to the financial statements, which indicates that as at December 31, 2024, the Company's current liabilities exceeded its current assets by C\$16.3 million, incurred a loss of C\$20.3 million for the year ended December 31, 2024. These conditions, along with other matters as set forth in Note 3 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) 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 (m³)

Mcf = 0.0283 cubic metres (10³m³)

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)