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

2024
ANNUAL REPORT

* For identification purpose only

About

JX Energy Ltd.

JX Energy Ltd. (formerly Persta Resources Inc.) is a Calgary-based oil and gas exploration and development company focusing on liquids-rich gas and light crude oil in Western Canada with two core areas of operations comprising: Alberta Foothills liquids-rich natural gas properties and Peace River light oil properties

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FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(Expressed in Canadian dollars)

	Three months ended December 31,			Year ended December 31,		
C$000 except per share and boe	**2024**	2023	Change	**2024**	2023	Change
Production revenue	**1,174**	3,177	63%	**4,968**	13,561	63%
Net trading revenue (loss)	**–**	–	–	**2**	(22)	105%
Operating netback[1]	**(2,262)**	(1,109)	104%	**(8,619)**	(1,496)	476%
Income (loss) per share						
(basic and diluted)	**0.02**	0.03	33%	**(0.04)**	(0.05)	20%
Daily average sales volumes (boe/d)	**703**	1,642	57%	**631**	1,676	62%

(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" in the Management Discussion and Analysis for further information.

ASSETS AND LIABILITIES — FIVE YEAR ANNUAL

	As at December 31,				
C$000	**2024**	2023	2022	2021	2020
Total assets	**25,888**	35,508	52,399	52,982	44,667
Total liabilities	**(47,349)**	(41,008)	(43,721)	(47,968)	(39,506)
Total net assets	**(21,461)**	(5,500)	8,678	5,014	5,161
Share capital	**222,418**	220,213	219,803	215,922	213,427
Warrants	**–**	–	647	647	647
Contributed surplus	**15,193**	13,092	5,886	2,524	358
Accumulated deficit	**(259,072)**	(238,805)	(217,659)	(214,079)	(209,270)
Total equity	**(21,461)**	(5,500)	8,678	5,014	5,161

SELECTED ANNUAL INFORMATION — FIVE YEAR ANNUAL

	Year ended December 31,				
	2024	2023	2022	2021	2020
Average Daily Production					
Natural gas (mcf/d)	**3,295**	9,053	10,042	12,416	13,341
Crude oil (bbls/d)	**34**	60	66	77	45
NGLs and condensate (bbls/d)	**34**	77	70	96	94
Total production (boe/d)	**617**	1,646	1,810	2,243	2,363
Average Daily Trading					
Natural gas (boe/d)	**14**	30	37	25	44
Total Sales Volume (boe/d)	**631**	1,676	1,847	2,268	2,406

	Year ended December 31,				
	2024	2023	2022	2021	2020
Financial					
C$ 000s except share amounts					
Production revenue	**4,968**	13,561	26,802	21,480	13,269
Net trading revenue	**2**	(22)	152	(11)	9
Royalties	**(88)**	(1,084)	(4,669)	(2,663)	(751)
Operating costs	**(13,501)**	(13,951)	(12,825)	(14,383)	(10,874)
Operating netback[1]	**(8,619)**	(1,496)	9,461	4,423	1,652
Net income (loss)[4]	**(20,267)**	(21,146)	(3,579)	(4,809)	(21,851)
Net working capital[2]	**(16,278)**	(13,120)	(36,968)	(22,740)	(29,938)
Total assets	**25,888**	35,508	52,399	52,982	44,667
Long term debt[2]	**(9,102)**	(11,553)	–	(17,355)	(1,886)
Capital expenditures[3]	**119**	538	6,175	8,623	1,932
Income (loss) per share (basic and diluted)	**(0.04)**	(0.05)	(0.01)	(0.01)	(0.07)

(1) Operating netback is defined as revenue less royalties, trading cost and operating costs. Operating netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures" for further information.

(2) Net working capital consists of current assets less current liabilities. As at December 31, 2024, net working capital includes C$2.4 million of new convertible debt that will mature in 2025. As at December 31, 2023, net working capital includes C$3 million shareholder debt which matured at December 31, 2023 and C$5 million of subordinated debt payments due in 2022. As at December 31, 2022, net working capital includes C$15.75 million of long term debt which was repaid on March 27, 2023, and C$2.6 million of shareholder loans originally due for repayment in 2023 which were amended to be due for repayment in 2024 subsequent to year end and further extended to 2025 on December 19, 2023.

(3) Capital expenditures consist of total expenditures for property, plant and equipment plus exploration and evaluation assets, excluding changes in non-cash working capital.

(4) As at December 31, 2024 net income reflects the impact of operations being shut in for part of the year. As at December 31, 2024 and 2023, net income includes impairments on the Company's oil and gas assets primarily due to reductions in future commodity prices for oil and gas.

RESERVES SUMMARY

As at December 31, 2024	Total Mboe	Reserve Composition (%) Natural gas	Other[1]
Gross Proved Reserves	**3,538**	**93%**	**7%**
Gross Proved plus Probable Reserves	**4,298**	**93%**	**7%**

As at December 31, 2023	Total Mboe	Reserve Composition (%) Natural gas	Other[1]
Gross Proved Reserves	3,800	93%	7%
Gross Proved plus Probable Reserves	6,137	93%	7%

(1) Other reserves are comprised of crude oil, condensate and natural gas liquids.

The reserves data provided in this annual report is based upon the report of GLJ effective December 31, 2024, with an execution date of March 20, 2025 (the "**GLJ Report**"). GLJ is an independently qualified reserves evaluator and auditor based in Calgary, Alberta, Canada. The estimate of Gross Proved and Probable Reserves as at December 31, 2024 and 2023 assumes forecast prices and costs as at the execution date of the GLJ Report.

CHAIRMAN'S STATEMENT

2024 was another challenging year for JX Energy Ltd., ("**JX**" or the "**Company**"). Gas commodity prices continued decrease during 2024 hitting a 10-year low in September 2024, and the weather in Western Canada was once again temperate during the fall and early winter months. Normally the Company would achieve its highest revenues starting in quarter three and throughout quarter four.

During 2024, JX completed equity placings to issue a total of 63 million shares at between HK$0.22 and HK$0.24 per share for gross proceeds of HK$14.5 million (C$2.5 million), and completed a convertible debenture issuance for USD$1.6 million (approximately C$2.18 million and HK$12.49 million respectively), bearing interest at 12%, and convertible at $HK0.20 per share, or at a fixed rate conversion rate of one common share equal to USD$0.02558 of indebtedness converted. JX has the choice to repay any outstanding interest and principal at the maturity date of July 15, 2025, in full or part, with cash or by converting to common shares.

From May to October 2024, weak gas commodity prices caused the Company to shut-in gas production and in November 2024 the Company started to increase production once again. The periods that the Company was shut-in or sustained reduced production, and continued weak gas commodity prices during 2024 were reflected in the Company's production revenues for the year ended December 31, 2024 totaling C$5.0 million, a 63% decrease over 2023 production revenues of C$13.6 million.

LOOKING AHEAD

The Company resumed full production in January 2025 and plans to continue at maximum production as the gas commodity price is expected to increase throughout 2025. While the gas wells were shut-in the wellhead pressure increased which will allow JX to increase production beyond historical average production to capitalize on increased commodity prices. The Company will continue to evaluate its assets for maximum return, and the Company will maintain its strategy of preserving its production reserves to balance any losses in revenue due to commodity prices in the short term, in order to maximize future returns.

JX has arranged for additional convertible debenture of USD$1.52 million (approximately C$2.1 million and HK$11.3 million respectively), bearing interest at 9%, and convertible at HK$0.20 per share, or at a fixed rate conversion rate of one common share equal to USD$0.02571 of indebtedness converted. JX has the choice to repay any outstanding interest and principal at the maturity date of December 10, 2025, in full or part, with cash or by converting to common shares.

On behalf of the Board of Directors, I would like to take this opportunity to convey my appreciation to our fellow staff, our shareholders and our customers for their continued confidence in the Company and continuing support in advancing our corporate initiatives. We aim to continuously reward our shareholders by sharing our results while keeping in mind our long-term development and the opportunities presented by increased worldwide demand for Liquefied Natural Gas, and cryptocurrency mining in which natural gas can be used to generate the power required for mining projects. To achieve the high aims we have set, the Company must have a global vision and capability with utmost professionalism and efficiency. I believe our dedicated employees and the Board of Directors are the best illustration of the Company's determination to succeed.

Yongtan Liu
Chairman
Calgary, Canada, March 28, 2025

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Company as at December 31, 2024 and the date of this annual report.

DIRECTORS

The Board currently consists of five Directors, comprised of two Executive Directors and three independent non- Executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment/ Resignation as Director
Executive Directors			
Mr. Yongtan Liu	69	Chairman of the Board, Interim Chief Executive Officer, and Executive Director	December 2019
Mr. Binyou Dai	55	Executive Director	February 2024
Independent non-Executive Directors			
Mr. Larry Grant Smith[1]	70	Independent non-Executive Director	December 2020/ December 2024
Mr. Clement Ka Hai Hung[1]	69	Independent non-Executive Director	August 2023/December 2024
Mr. Zhanpeng Kong	61	Independent non-Executive Director	August 2023
Ms. Kit Man To[2]	55	Independent non-Executive Director	December 2024
Ms. Jia Wei[2]	53	Independent non-Executive Director	December 2024

(1) Resigned as an Independent non-Executive Director on December 24, 2024
(2) Appointed on December 24, 2024

Executive Directors

Mr. Yongtan Liu, aged 69, is the Interim Chief Executive Officer, an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, and a member of the Remuneration Committee of the Board. Mr. Liu was appointed to the Board on December 18, 2019, and appointed as the Interim Chief Executive Officer on February 14, 2024.

Mr. Liu is currently the chairman of Changchun City Jixing Gas Service for Auto Co., Ltd ("**CCJGSA**") in the People's Republic of China (the "**PRC**"). Mr. Liu has more than 20 years of experience in the energy industry, and extensive experience in corporate development, corporate management, financial investment and project development. Mr. Liu established CCJGSA in 2022, aiming to build a new energy enterprise and maximize customers' values through the development of green energy. Under the leadership of Mr. Liu, through a well-executed growth strategy and operation management, CCJGSA achieved rapid growth within the energy industry, particularly in the field of natural gas transportation pipeline, natural gas processing plants, natural gas compression and gas stations. Presently, CCJGSA is a sizeable natural gas service enterprise within the northeastern region of the PRC.

Mr. Binyou Dai, aged 55, joined the Company in June 2009, was appointed as Vice President, Engineering on March 31, 2014, and was appointed Chief Operating Officer on May 1, 2020. Mr. Dai has over 32 years of experience in the natural gas and oil industry and has been involved in the natural gas and oil engineering and facilities development of the Company. On February 14, 2024, Mr. Dai was appointed as an Executive Director of the Company.

Prior to joining the Company, Mr. Dai worked as a mechanical engineer for Wood Group Mustang, an engineering, procurement and construction management company, and was involved in the engineering and design of oil and gas projects in Canada, from May 2005 to May 2009. Mr. Dai has worked at CNPC since 1992 and was a Senior Engineer since December 2003 to February 2005. Mr. Dai has been involved in the development and upgrading of oil and gas facilities from engineering, construction to commissioning and start-up, project management in various projects in Sudan, Kuwait and China during his time at CNPC.

Mr. Dai obtained his Bachelor of Engineering degree in Petroleum Engineering from Daqing Petroleum Institute (大慶石油學院) (now known as Northeast Petroleum University (東北石油大學)) in July 1992 and his Masters of Engineering degree at the University of Calgary in November 2008. Mr. Dai has been a Professional Engineer of APEGA since March 2009, a Professional Engineer of the Association of Professional Engineers and Geoscientists of British Columbia since April 2009 and a Professional Engineer of the Association of Professional Engineers and Geoscientists of Saskatchewan since May 2009.

Independent non-Executive Directors

Mr. Larry Grant Smith, aged 70, was an independent non-Executive Director and Chairman of the Remuneration Committee, and member of the Nomination and Audit and Risk Committees of the Board. Mr. Smith resigned as an independent non-Executive Director on December 24, 2024.

Mr. Smith has substantial experience in the oil and gas industry in Western Canada, especially in drilling, completions, production operations and facility construction. Mr. Smith was most recently an advisor to Crest Consultants Partnership, which provides project management, engineering and field supervision services to the petroleum industry in Alberta. Crest Consultants Partnership is a successor to Crest Energy Consultants Inc., a Calgary-based company Mr. Smith founded in 1989.

Mr. Smith has been a Professional Engineer of APEGA since July 1979. Mr. Smith graduated from University of Wyoming, United States in May 1977 where he obtained a bachelor's of science degree (honors) in petroleum engineering. Mr. Smith also obtained a diploma in petroleum technology from the Southern Alberta Institute of Technology, Canada in 1974.

Mr. Clement Ka Hai Hung, aged 69, was an independent non-Executive Director and Chairman of the Audit and Risk Committee, and member of the Nomination Committee of the Board. Mr. Hung resigned as an independent non-Executive Director on December 24, 2024.

Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from the chairman role of Deloitte China with effect from June 2016. While working with Deloitte China, Mr. Hung had assumed various leadership roles, including acting as the office managing partner of Deloitte Shenzhen office and Guangzhou office, a member of the China management team of Deloitte China, southern audit leader and deputy managing partner of the southern region of Deloitte China (including the regions of Hong Kong, Macau, Shenzhen, Guangzhou and Xiamen).

Mr. Hung obtained a bachelor of arts degree in accountancy studies from the University of Lincoln (formerly known as the University of Huddersfield), United Kingdom in July 1980. Mr. Hung was appointed as (i) an honourary consultant of the Hong Kong Business Accountants Association in July 2014; (ii) an honourary member of the Shenzhen Institute of Certified Public Accountants in January 2004; (iii) a consultant of the Guangzhou Institute of Certified Public Accountants in August 2004; (iv) a member of the Shenzhen Luohu Committee of the Chinese People's Political Consultative Conference in January 2006; and (v) a consultant of the Ministry of Finance of the People's Republic of China in June 2016. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Hung is serving as a director of each of the following companies whose shares are listed on the Stock Exchange: a non-executive director of High Fashion International Limited (stock code: 608) since December 1, 2017; an independent non-executive director of China East Education Holdings Limited (stock code: 667) since November 25, 2018; an independent non-executive director of Starjoy Wellness and Travel Company Limited (stock code: 3662) since February 22, 2019; an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since December 13, 2019; an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since July 16, 2021; an independent non-executive director of Skyworth Group Limited (stock code: 751) since March 18, 2020; and an independent non-executive director of Capital Estate Limited (stock code: 193) since April 12, 2024.

With Effect from July 18, 2022, Mr. Hung has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. whose shares are listed on both the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318).

Mr. Zhanpeng Kong, aged 61, is an independent non-Executive Director and member of the Audit and Risk Committee and Remuneration Committee of the Board. Mr. Kong served as the chief executive officer of Global Bio-chem Technology Group Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 809), from October 2015 to October 2018. Previously, he served as the chairman and an executive director of Global Sweeteners Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3889), from September 2007 to December 2018, and as its Chief Executive Officer from May 2014 to October 2015.

Mr. Kong graduated from the China Textile University (中國紡織大學) (currently known as Donghua University) with a bachelor's degree in textile engineering in July 1985 and a diploma in international trade from the China Textile University in July 1986.

Ms. Kit Man To, aged 55, was appointed to the Board on December 24, 2024 and is an independent non-Executive Director and Chairman of the Audit and Risk Committee, and member of the Nomination Committee of the Board.

Ms. To is an executive director (appointed on 3 December 2024), named company secretary and authorized representative of Shun Wo Group Holdings Limited ("**Shun Wo Group**"), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1591), since 30 November 2022. In her current role, she is responsible for managing all aspects of corporate governance and ensuring compliance with legal and regulatory requirements and manages Shun Wo Group's accounting, treasury and tax functions.

Previously, she has held various audit, accounting and finance positions with over 20 years of experience in listed companies in the hospitality and property development industries. From December 2019 to January 2021, Ms. To served as the audit principal of Tyrone Chiu C.P.A. Limited. From September 2005 to November 2019, she worked as an assistant financial controller of Rosedale Group Management Limited, a subsidiary of Rosedale Hotel Holdings Limited (currently known as Greater Bay Area Dynamic Growth Holding Limited) (Stock code: 1189), the shares of which are listed on the Main Board of the Stock Exchange.

Ms. To holds a Master's Degree of Finance from Curtin University, Australia. She is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Ms. To is serving as an executive director of Shun Wo Group Holdings Limited (stock code: 1591) whose shares are listed on the Main Board of the Stock Exchange since 3 December 2024.

Ms. Jia Wei, aged 53, was appointed to the Board on December 24, 2024 and is an independent non-Executive Director and Chairman of the Remuneration Committee, and member of the Nomination and Audit and Risk Committees of the Board.

Ms. Wei is an accomplished finance and banking professional with over 15 years of experience in corporate banking, internal audits, compliance, and credit management. Since 2019, Ms. Lei and has been conducting comprehensive research on the logistics, regulatory environment, and operational models related to the export of LNG from Canada to Asia. From 2012 to 2018 she worked as an international trade professional specializing in facilitating international trade between Canada and China, focusing on agricultural commodities developing an understanding of global supply chains and trade regulations that are transferrable to the energy sector. Prior to immigrating to Canada in 2011, Ms. Wei worked in China as the internal audit officer from 2002 to 2011 and corporate banking officer from 1998 to 2002 for CITIC Bank, and as branch director for Fushun Commercial Bank from 1993 to 1998.

Ms. Wei graduated in 1993 from the Shenyang University of Technology with a Bachelor's Degree in Industrial Financial Accounting.

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management of our Company.

Name	Age	Year Joined	Position
Mr. Pingzai Wang	58	2006	Vice President Exploration, appointed Chief Executive Officer on March 4, 2020[1]
Mr. Yongtan Liu	69	2024	Appointed Interim Chief Executive Officer on February 14, 2024
Mr. Binyou Dai	55	2009	Vice President Engineering, appointed Chief Operating Officer on May 1, 2020
Ms. Tara Leray	46	2022	Chief Financial Officer, appointed joint Company secretary on August 15, 2022

(1) Terminated as Chief Executive Officer on February 14, 2024

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yongtan Liu, aged 69, was appointed Interim Chief Executive Officer on February 14, 2024 and continues in his capacity as the Chairman of the Board, an Executive Director, and Chairman of the Nomination Committee and member of the Remuneration Committee of the Board.

Please see his biographical details in the paragraph headed "*Executive Directors*" in this section.

Mr. Binyou Dai, aged 55, joined the Company in June 2009, was appointed as Vice President, Engineering on March 31, 2014, and was appointed Chief Operating Officer on May 1, 2020. Mr. Dai has over 29 years of experience in the natural gas and oil industry and has been involved in the natural gas and oil engineering and facilities development of the Company. On February 14, 2024, Mr. Dai was appointed as an Executive Director of the Company.

Please see his biographical details in the paragraph headed "*Executive Directors*" in this section.

Ms. Tara Leray, aged 46, is the Chief Financial Officer of the Company. Ms. Leray joined the Company in August 2022, replacing Mr. Meidl, and is responsible for financial management of the Company. On August 15, 2022, Ms. Leray was appointed as joint company secretary of the Company. Ms. Leray has over 19 years of corporate finance, accounting and advisory experience across multiple industries, including upstream exploration and production, oilfield services, manufacturing and private equity, through her works in a number of private and public Canadian energy companies, an investment company and accounting firm.

Prior to joining the Company, Ms. Leray was Chief Financial Officer of XACT Downhole Telemetry Inc. ("**XACT**"), a private oil field services company until September 2018 when XACT was sold to Baker Hughes Company. Ms. Leray continued at Baker Hughes Company as a Senior Financial Planning and Analysis Manager until July 2022.

Ms. Leray obtained a Bachelors of Arts (Business Economics) degree from the University of Saskatchewan in April 2001, and her professional designation of Canadian Chartered Professional Accountant since 2008.

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 2024, commodity prices have continued to fall as the global impact of the wars in Ukraine and the middle east, global warming, tariff threats, and supply chain interruptions have created additional volatility in commodity markets. The price for natural gas in Western Canada is forecasted to improve above the 2023 and 2024 averages. 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 2025 and 2026, subject to availability of capital, and 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 ANNUAL INFORMATION

	Year ended December 31,				
	2024	2023	2022	2021	2020
Average Daily Production					
Natural gas (mcf/d)	**3,295**	9,053	10,042	12,416	13,341
Crude oil (bbls/d)	**34**	60	66	77	45
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Income (loss) per share (basic and diluted)	**(0.04)**	(0.05)	(0.01)	(0.01)	(0.07)

(1) Operating netback is defined as revenue less royalties, trading cost and operating costs. Operating netback is a non-IFRS financial measure. See "Non-IFRS Financial Measures" for further information.

(2) Net working capital consists of current assets less current liabilities. As at December 31, 2024, net working capital includes C$2.4 million of new convertible debt that will mature in 2025. As at December 31, 2023, net working capital includes C$3 million shareholder debt which matured at December 31, 2023 and C$5 million of subordinated debt payments due in 2022. As at December 31, 2022, net working capital includes C$15.75 million of long term debt which was repaid on March 27, 2023, and C$2.6 million of shareholder loans originally due for repayment in 2023 which were amended to be due for repayment in 2024 subsequent to year end and further extended to 2025 on December 19, 2023.

(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.

(4) As at December 31, 2024 net income reflects the impact of operations being shut in for part of the year. As at December 31, 2024 and 2023, net income includes impairments on the Company's oil and gas assets primarily due to reductions in future commodity prices for oil and gas.

5 YEAR ANNUAL SUMMARY

Over the past 5 years, the Company's total production has dropped reflecting natural declines, in Q2 to Q4 2024 the Company shut-in or substantially shut-in production due to historically low gas commodity pricing, and in Q2 2023 forest fires shut-in or substantially shut-in the Company's gas production for approximately six weeks.

In 2023 the value of the Company's PNG and E&E assets declined due to the decrease in fair market value and impairments of C$6,320 and C$3,998, respectively, were recorded at year end. These impairment losses were non- cash charges resulting from assessments which indicated the carrying costs of the Company's assets exceed their estimated future recoverable amounts, which have been negatively impacted by the decline in commodity prices over the past year.

In 2021 and 2022 commodity prices strengthened as reflected in the Company's 2021 and 2022 production revenue achieving 5 year highs, despite lower production compared to previous years. In 2019 operating costs increased as the Company's gas transport obligations commenced in the fourth quarter of 2018. These obligations are fixed and provide JX with transport capacity of up to 110 MMcf/d. Effective April 1, 2022, the Company transferred 47 MMcf/d of its FT-R obligations to another issuer. In 2020 operating costs increased with the start of production at Voyager and commencement of the Jixing Gas Handling and Voyager Compression agreements (refer to Note 26 of the Financial Statements). In 2022, the operating costs decreased due to the reduction in production, which is offset by the increase in the Jixing Gas Handling and Voyager Compression agreements.

The Company's 2022 net loss was lower than 2021 and significantly lower than 2020, reflecting higher revenues and partial recoveries of the impairment losses the Company booked in 2020.

SELECTED QUARTERLY INFORMATION

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Daily Average Production								
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								
C$000s except share amounts	**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 as 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 it's 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 58% and 63% 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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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%	**(56)**	(178)	(68%)
Total trading revenue (loss)	**–**	–	(100%)	**2**	(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 that 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

	Three months ended Dec 31,			Year ended Dec 31,		
C$ 000s	**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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**2024**	2023	Change	**2024**	2023	Change
Natural gas, NGLs and condensate	**3,271**	3,544	(8%)	**12,926**	13,464	(4%)
Crude oil	**87**	189	(54%)	**575**	487	18%
Total operating costs	**3,358**	3,733	(10%)	**13,501**	13,951	(3%)
Unit Cost (C$/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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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 C$385 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 staff costs are comprised of qualifying expenditures in respect of geological and geophysical activities. The Company reviews its capitalized costs policy periodically and will adjust the amount as required.

Finance Expenses

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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 (Note 13)	**65**	–	100%	**113**	–	100%
Other financing costs and bank charges	**7**	80	(91%)	**40**	76	(48%)
Accretion expenses:						
Decommissioning liabilities	**(1)**	(17)	(94%)	**48**	46	4%
Shareholder loans	**(109)**	(88)	24%	**(86)**	(117)	(27%)
Long-term payable (Note 10)	**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, 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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s except per unit costs	**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	**10**	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, computer hardware 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 and Write-Offs

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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	**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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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%)	**119**	538	(78%)
Change in non-cash working capital	**(356)**	(1,112)	(68%)	**(775)**	(3,237)	(76%)
Total	**(329)**	(838)	(61%)	**(656)**	(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 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:

C$000s	**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 not been included in the diluted earnings per share calculation as they are antidilutive.

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 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	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024[2]	Actual use of net proceeds during the period from the Closing Date to December 31, 2024[2]	Proceeds unused
Business objective as stated in the Circular[1]				
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	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024[2]	Actual use of net proceeds during the period from the Closing Date to December 31, 2024[2]	Proceeds unused
Business objective as stated in the announcement[1]				
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	% 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
Business objective as stated in the announcement[1]				
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.

Use of proceeds from the July 2024 Convertible Debenture

C$000,000	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024	Actual use of net proceeds during the period from the Closing Date to December 31, 2024	Proceeds unused
Business objective as stated in the announcement[1]				
General working capital	100%	2.18	2.18	–
Total	**100%**	**2.18**	**2.18**	**–**

Notes:

(1) Refer to the Company's announcement dated July 24, 2024.

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 the physical property, plant and equipment assets with a cost of approximately C$5.2 million (2023 – approximately C$5.2 million) 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**").

EVENTS AFTER THE REPORTING PERIOD

Convertible debenture issuance

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.

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.

Other than the convertible debenture, 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 Stated 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 C$0.13 million and C$1.0 million (including C$0.39 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

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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	**(3,358)**	(3,733)	(10%)	**(13,501)**	(13,951)	(3%)
Operating netback	**(2,262)**	(1,109)	104%	**(8,619)**	(1,496)	476%

Adjusted EBITDA

	Three months ended Dec 31,			Year ended Dec 31,		
C$000s	**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	**4,471**	10,388	(57%)	**4,471**	10,388	(57%)
Adjusted EBITDA	**(2,582)**	(1,585)	63%	**(10,073)**	(3,221)	213%

PUBLICATION OF INFORMATION

This MD&A is published on the websites of the Stock Exchange (www.hkexnews.hk), SEDAR+ (www.sedarplus.ca) and the Company (www.jxenergy.ca). This MD&A 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
ºC	degrees Celsius

CONVERSION FACTORS — IMPERIAL TO METRIC

Bbl = 0.1590 cubic metres (m^3)
Mcf = 0.0283 cubic metres (10^3m^3)
acres = 0.4047 hectares (ha)
Btu = 1054.615 joules (J)
feet (ft) = 0.3048 metres (m)
miles (mi) = 1.6093 kilometres (km)
pounds (Lb) = 0.4536 kilograms (kg)

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

For the year ended December 31, 2024 (the "**Year**"), save for the deviation from code provision C.2.1 of the CG Code as explained herein, the Company has complied with the CG Code.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Company. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Purpose, Vision, Mission.

During 2024, the Company continued to strengthen its cultural framework by focusing on the following:

- **Vision:** to increase our shareholder value by continuing to exploit and develop our natural gas and oil asset base in our two core exploration and production areas to increase our reserves, production and cash flow.

- **Mission:** to achieve outstanding performance to maximize shareholder returns.

- **Values:** we will add value for our shareholders through the following strategies:

  - Enhancing the value of our oil and gas assets through increased operational efficiency, effective well placement and field development.

  - Pursuing potential acquisition opportunities with significant value appreciation.

  - Monitoring and evaluating opportunities presented with increased worldwide demand for Liquified Natural Gas.

  - Evaluating opportunities to provide natural gas for power generation for cryptocurrency mining.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Company are aligned.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors the business and performance of the Company. The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit and risk committee (the "**Audit and Risk Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of this annual report, the Board is comprised five directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors:
Mr. Yongtan Liu *(Chairman of the Board and Interim Chief Executive Officer ("**ICEO**") — Appointed ICEO on February 14, 2024)*
Mr. Pingzai Wang *(President and Chief Executive Officer — Resigned February 14, 2024)*
Mr. Binyou Dai (Appointed February 14, 2024)

Independent non-executive Directors:
Mr. Larry Grant Smith (Resigned December 24, 2024)
Mr. Clement Ka Hai Hung (Resigned December 24, 2024)
Mr. Zhanpeng Kong
Ms. Kit Man To (Appointed December 24, 2024)
Ms. Jia Wei (Appointed December 24, 2024)

Each of Ms. Kit Man To and Ms. Jia Wei confirms that she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 24, 2024, and (ii) understands her obligations as a director of a listed issuer under the Listing Rules.

During the year ended December 31, 2024, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Among the five independent non-executive Directors appointed or resigned during the year, Mr. Clement Ka Hai Hung and Ms. Kit Man To have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Board Diversity Policy

Pursuant to Rule 13.92, of the Listing Rules listed issuers are required to adopt a board diversity policy. The policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, educational background, professional experience, knowledge and skills.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, discuss any revisions that may be required as appropriate, and recommend any such revisions to the Board for consideration and approval. On December 24, 2024, the Board appointed two female independent non-executive directors to improve the Board's diversity and gender parity and the Board targets to maintain at least the current level of female representation.

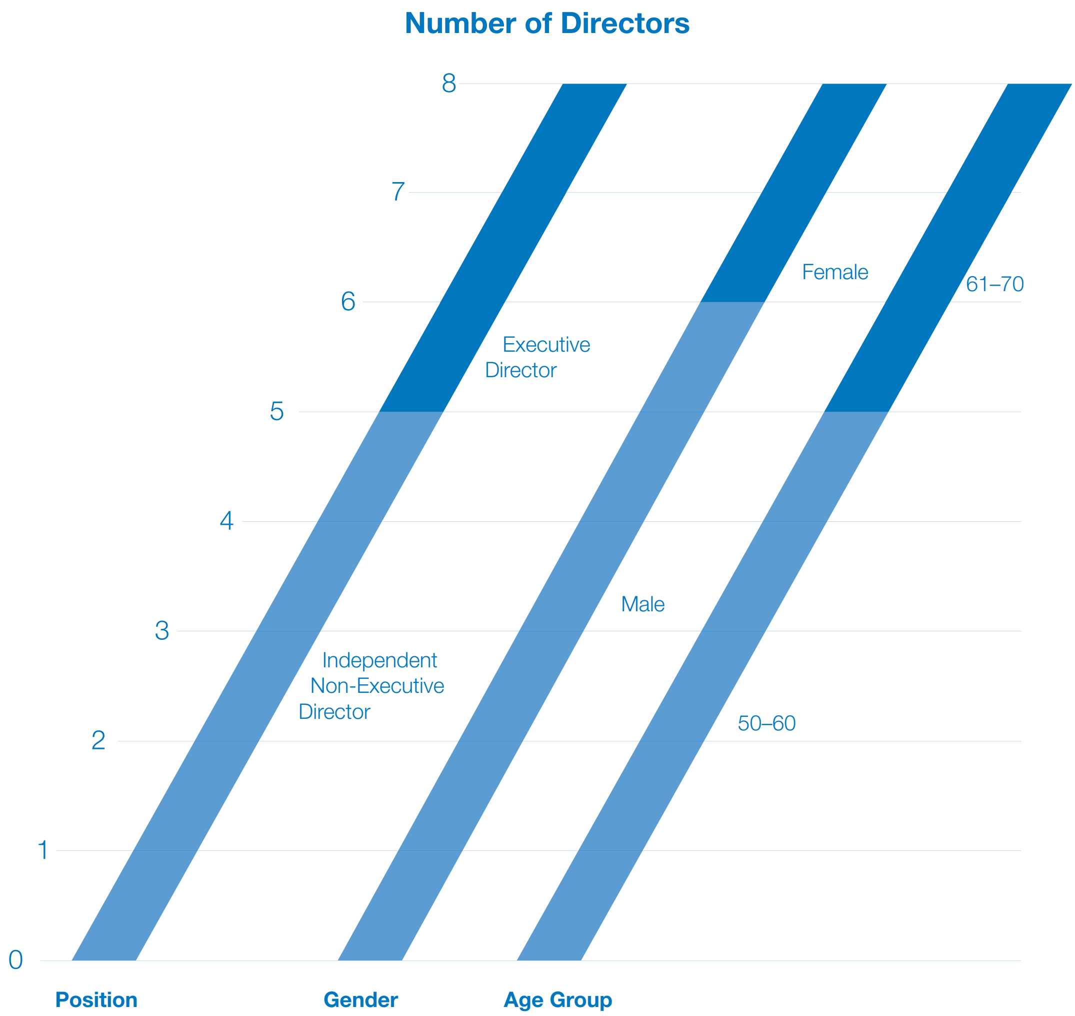

Figure 1 — Includes Independent Non-Executive Directors that resigned and were appointed during the year.

As at the date of this annual report, the diversity of the Board is illustrated as above in Figure 1. Further details on the biographies and experience of the Directors are set out in "Profiles of Directors and Senior Management" in this annual report.

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain a high standard of operation, and considered that it was in accordance with the board diversity policy.

Measurable Objective

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company noted that people from different backgrounds would likely approach problems in different ways and accordingly, members of the Board with diverse backgrounds would bring in different concerns and questions to the table, and allow the Board to consider a wide range of options and solutions when deciding on corporate issues and formulating policies for the Company.

In determining the Board's composition and selection of candidates to the Board, the Nomination Committee considers factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service, before making recommendation to the Board.

The Board has not set any measurable objectives for the year ended December 31, 2024. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, and the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Workforce Diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2024 is 1 man: 2 women. The total gender diversity of the Company is balanced and the Company will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant date, please refer to the disclosure in the Environmental, Social and Governance report.

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.

In regard to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the independent non-executive Directors and the members of the Audit and Risk Committee are all independent non-executive Directors exceed the independence requirements under the Listing Rules. The remuneration of independent non-executive Directors is subject to regular reviews to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances arise.

Induction and Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director is provided with necessary induction and information to ensure that he or she has a proper understanding of the Company's operations and businesses as well as his or her responsibilities under relevant statues, laws, rules and regulations.

During the Year, each of the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. All Directors, namely Mr. Yongtan Liu, Mr. Binyou Dai, Ms. Kit Man To, Mr. Zhangpeng Kong and, Ms. Jia Wei, and our former Directors, namely Mr. Pingzai Wang, Mr. Clement Ka Hai Hung and Mr. Larry Grant Smith, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

The roles of the chairman of the Board and chief executive officer ("**CEO**") are segregated and assumed by two separate individuals who have no relationship with each other to ensure that the power and authority are not concentrated in any one individual for the purpose of code provision C.2.1 of the CG Code. 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.

Appointment and Re-Election of Directors

Mr. Yongtan Liu has entered into a service agreement as executive Director for a term of three years commencing from July 1, 2023, subject to the relevant provisions of the By-laws in respect of, among others, retirement by rotation and re-election at least once every three years.

Mr. Binyou Dai has entered into a service agreement with the Company in relation to his appointment as an executive Director for an initial term of three years commencing from February 14, 2024, subject to termination in certain circumstances as stipulated in the service agreement. Mr. Dai will be subject to retirement and re-election in accordance with the Listing Rules and the By-laws.

Ms. Kit Man To and Ms. Jia Wei signed appointment letters with the Company as independent non-executive Directors for an initial term of three years commencing from December 24, 2024.

Mr. Larry Grant Smith has entered into an appointment letter with the Company as independent non-executive Director for a term of three years commencing from December 4, 2020. The term of appointment was automatically extended for an additional three years on December 4, 2023, and Mr. Smith resigned on December 24, 2024.

Mr. Clement Ka Hai Hung and Mr. Zhanpeng Kong signed appointment letters with the Company as independent non-executive Directors for an initial term of three years commencing from August 1, 2023. Mr. Hung resigned on December 24, 2024.

Mr. Pingzai Wang has entered into a service agreement with the Company as executive Director for a term of three years commencing from July 1, 2020, and the term of appointment was automatically extended for an additional three years commencing July 1, 2023. Mr. Wang was entitled to receive emoluments of C$330,000 (approximately HK$1,914,153) per annum as the CEO, as determined by the Board with reference to his duties, responsibilities, remuneration policy of the Company, performance of the Company as well as the prevailing market condition. Mr. Wang did not receive any additional emolument from the Company as an executive Director. On February 14, 2024, Mr. Wang was terminated as Chief Executive Officer and resigned as an Executive Director.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's articles of incorporation, as amended and restated, and By-Laws, the Directors are subject to re-election at every annual general meeting. Shareholders of the Company entitled to vote at the annual general meeting for the election of Directors will elect a Board consisting of at least the minimum number of Directors set under the articles of the Company and all the Directors shall cease to hold office immediately before such election, but are eligible for re-election at such meeting.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's articles of incorporation, as amended and restated, and By-Laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring and making recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman and the CEO.

Majority Voting Policy

Given the preclusion of the use of two-way voting for the election of directors under the ABCA and Canadian securities laws, the Company has adopted a majority voting policy, pursuant to which each Director must be elected individually (rather than as a slate) by a majority (50% plus one vote) of the votes cast (i.e. more votes "**for**" than votes "**withheld**") with respect to his or her election. If a Director nominee is not elected by at least a majority of the votes cast with respect to his or her election, he or she must immediately tender his or her resignation to the Board. The Board must, within 90 days, determine whether or not to accept the resignation and issue an announcement in relation to the Board's decision in that regard. Notwithstanding the aforesaid, a director is validly elected if he or she has any votes "for" as, under Canadian corporate and securities law, votes can only be "withheld", not voted "against". A "withheld" vote will be considered to be an "against" vote for the purpose of appointment of Directors on the application of the majority voting policy.

Board Meetings and General Meetings

The Company adopts the practice of holding board meetings regularly, at least 4 times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least 3 days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the board meetings and committee meetings are recorded in sufficient detail about the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

During the year ended December 31, 2024, five board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu	5/5
Mr. Binyou Dai	5/5
Mr. Pingzai Wang (resigned February 14, 2024)	0/1
Mr. Zhanpeng Kong	2/5
Mr. Larry Grant Smith (resigned December 24, 2024)	5/5
Mr. Clement Ka Hai Hung (resigned December 24, 2024)	4/5
Ms. Kit Man To (appointed December 24, 2024)	0/0
Ms. Jia Wei (appointed December 24, 2024)	0/0

In addition to the above meetings, Mr. Yongtan Liu, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2024.

During the year ended December 31, 2024, one annual general and special meeting of shareholders was held and the attendance at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu	1/1
Mr. Binyou Dai	1/1
Mr. Pingzai Wang (resigned February 14, 2024)	0/0
Mr. Zhanpeng Kong	1/1
Mr. Larry Grant Smith (resigned December 24, 2024)	1/1
Mr. Clement Ka Hai Hung (resigned December 24, 2024)	1/1
Ms. Kit Man To (appointed December 24, 2024)	0/0
Ms. Jia Wei (appointed December 24, 2024)	0/0

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 Year and as at the date of this Annual Report. In addition, the Company is not aware of any non-compliance of the Model Code by senior management of the Company during the Year and as at the date of this Annual Report.

Delegation by the Board

The Board reserves its decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors which include:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(e) to review and ensure the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

The Board has performed all the above corporate governance duties during the year ended December 31, 2024.

BOARD COMMITTEES

Nomination Committee

During the Year and up to the date of this annual report, the Nomination Committee was comprised of Mr. Yongtan Liu (chairman), Ms. Kit Man To (appointed December 24, 2024), Ms. Jia Wei (appointed December 24, 2024), Mr. Larry Grant Smith (resigned December 24, 2024), and Mr. Clement Ka Hai Hung (resigned December 24, 2024), the majority of whom are independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in management, and to assess the independence of the independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2024, one meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu *(Chairman)*	1/1
Mr. Larry Grant Smith (resigned December 24, 2024)	1/1
Mr. Clement Ka Hai Hung (resigned December 24, 2024)	1/1
Ms. Kit Man To (appointed December 24, 2024)	0/0
Ms. Jia Wei (appointed December 24, 2024)	0/0

The Nomination Committee assessed the independence of independent non-executive Directors, considered the reappointment of the retiring Directors, made recommendations to the Board on the appointment of Directors and fulfilled duties as required aforesaid.

The Company has adopted and implemented written terms of reference for the Nomination Committee to identify individuals suitably qualified to become Board members. The Nomination Committee would make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Company's business to enable the Board to make sound and well considered decisions. Collectively, the Directors have competencies in areas which are relevant and valuable to the Company. The Company shall review and reassess the terms of reference for the Nomination Committee and its effectiveness on a regular basis or as required.

Procedure for Nomination of Directors

1. When there is a vacancy on the Board, the Nomination Committee evaluates the balance of skills, knowledge, experience and characteristics of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Nomination Committee to evaluate whether he or she meets the criteria adopted by the Nomination Committee for nomination of directors. One or more members of the Nomination Committee will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Nomination Committee meeting to discuss and vote on which candidate(s) to nominate to the Board.

7. Make recommendations to the Board on the candidate(s) for directorship and/or for senior management.

8. Convene a Board meeting to discuss and vote on which candidate(s) to appoint to the Board.

Criteria for Nomination of Directors

1. Common criteria for all Directors

(a) Character and integrity.

(b) The willingness to assume board fiduciary responsibility.

(c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs.

(d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company.

(e) Significant business or public experience relevant and beneficial to the Board and the Company.

(f) Breadth of knowledge about issues affecting the Company.

(g) Ability to objectively analyze complex business problems and exercise sound business judgement.

(h) Ability and willingness to contribute special competencies to Board activities.

(i) Fit with the Company's culture.

2. Criteria applicable to non-executive Directors/independent non-executive Directors

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings.

(b) Accomplishments of the candidate in his/her field.

(c) Outstanding professional and personal reputation.

(d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

Remuneration Committee

During the Year and up to the date of this annual report, the Remuneration Committee was comprised of Mr. Larry Grant Smith (Chairman and resigned on December 24, 2024), Ms. Jia Wei (appointed Chairman on December 24, 2024), Mr. Yongtan Liu, and Mr. Zhanpeng Kong, the majority of them are independent non-executive Directors.

The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) under Appendix C1 of the Listing Rules (i.e. make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members), and Chapter 17 of the Listing Rules (i.e. review and/or approve matters relating to share schemes).

The primary duties of the Remuneration Committee are to recommend the Board on the remuneration policy and structure for the Directors and management and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of all Directors and management.

Their written terms of reference are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2024, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Larry Grant Smith (*Chairman*; resigned December 24, 2024)	1/1
Mr. Yongtan Liu	1/1
Mr. Zhanpeng Kong	0/1
Ms. Jia Wei (*Chairman*; appointed December 24, 2024)	0/0

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management, made recommendations to the Board on the remuneration of independent non-executive Directors and fulfilled duties as required aforesaid.

Details of the remuneration by band of the 3 members of senior management of the Company, whose biographies are set out in "Profiles of Directors and Senior Management" in this annual report, for the year ended December 31, 2024 are set out below:

Remuneration band	Number of individuals
Hong Kong dollars	
Nil-1,000,000[1]	1
1,000,001-1,500,000	2
1,500,001-2,000,000	—

(1) Mr. Yongtan Liu does not receive any compensation in his role as the Interim Chief Executive Officer of the Company.

Phantom Unit Plan

On May 2, 2016, the Board approved, effective upon the Company's Listing on the Stock Exchange, a phantom unit plan (the "**Phantom Unit Plan**") for the benefit of the Company's independent non-executive Directors (the "**Eligible Directors**") to encourage a sense of ownership and to enhance the Company's ability to retain key personnel and reward significant performance achievements.

Under the Phantom Unit Plan, a percentage (the "**Designated Percentage**") of the Eligible Director's fees (the "**Fee**"), as determined by the Board, will be paid in phantom units issued thereunder (the "**Phantom Units**") as part of the Company's compensation plan for the Eligible Directors. Each Eligible Director shall agree in writing prior to the commencement of each twelve-month period commencing on January 1 and ending on December 31 (the "**Fee Period**") to receive the applicable Designated Percentage of Fees in the form of Phantom Units. The first Fee Period will commence on the Listing Date and shall end on December 31 of that calendar year.

On each date in which Phantom Units are to be allotted (the "**Unit Allotment Date**") to an Eligible Director participating in the Phantom Unit Plan (a "**Participant**"), a number of Phantom Units determined by dividing (i) an amount equal to the Designated Percentage of the Fees to have credited in Phantom Units on that Unit Allotment Date, by (ii) the Fair Market Value (the weighted average trading price of the Shares on any exchange where the Shares are listed including the Main Board for the last 5 trading days prior to such day) of a Share on that Unit Allotment Date, shall be credited to the Participant's account.

As at a Participant's termination date (being the date on which the Participant ceases to be a member of the Board by way of retirement, non-re-election as a director, resignation or death), the Participant (or his or her legal representative) is entitled to, by giving written notice to the Company, redeem all or a portion of the Phantom Units recorded on his or her account as at a particular date (the "**Redemption Date**"). The Participant is entitled on the Redemption Date to receive an amount equal to the number of Phantom Units to be redeemed on such Redemption Date multiplied by the Fair Market Value of a Share on such Redemption Date, net of any applicable deductions and withholdings. In December 2019, the directors agreed that any amounts due at the Redemption Date would be paid by the Company not less than 366 days after the Redemption Date. At the time that Mr. Peter David Robertson, the Honorable Mr. Richard Dale Orman and Mr. Larry Grant Smith resigned, the Board agreed to provide the resigned directors with payments of $10,000 per quarter reducing the overall Phantom Unit liability on the Redemption Date. Any remaining Phantom Unit liability will be repaid not less than 366 days after the redemption date, and the payments of $10,000 per quarter can continue until such time that the Company is able to pay the outstanding balance, if any, in full.

The Phantom Unit Plan became effective on the Listing Date. Details of the Phantom Unit Plan are set out in Note 19 to the Company's audited financial statements for the year ended December 31, 2024.

Audit and Risk Committee

During the Year and to the date of this annual report, the Audit and Risk Committee was comprised of Mr. Clement Ka Hai Hung (*Chairman*, resigned December 24, 2024), Ms. Kit Man To (appointed *Chairman* December 24, 2024), Mr. Larry Grant Smith (resigned December 31, 2024), Mr. Zhanpeng Kong, and Ms. Jia Wei (appointed December 24, 2024), all of them being independent non-executive Directors.

The primary duties of the Audit and Risk Committee include overseeing the financial position of the Company, overseeing the Company's financial controls, internal control and risk management systems, the audit process and proposals of internal management, and communicating independently with, monitoring and verifying the work of external auditors.

During the year ended December 31, 2024, 4 meetings of the Audit and Risk Committee were held and the attendance record of the Audit and Risk Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Clement Ha Kai Hung (*Chairman*; resigned December 24, 2024)	4/4
Mr. Zhanpeng Kong	0/4
Mr. Larry Grant Smith (resigned December 24, 2024)	4/4
Ms. Kit Man To (appointed *Chairman* December 24, 2024)	0/0
Ms. Jia Wei (appointed December 24, 2024)	0/0

The Audit and Risk Committee reviewed the financial reporting, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management and the appointment or reappointment of the external auditor and fulfilled duties as required aforesaid. During the year ended December 31, 2024, the Audit and Risk Committee met with the external auditors at least twice a year.

The Audit and Risk Committee evaluated the reappointment of BDO Limited ("**BDO**") as the Company's external auditor, and after considered that the expected audit fee from BDO for the audit of the Company's financial statements for the year ending December 31, 2024, may not be competitive.

After receiving various proposals from alternative auditors, the Audit and Risk Committee recommended to the Board, to appoint Moore CPA Limited ("**Moore**") as the external auditor of the Company. The Board resolved to appoint Moore as the external auditor of the Company with effect from December 24, 2024 to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

The Audit and Risk Committee considered a number of factors in assessing the appointment of Moore as the auditor, including but not limited to (i) the audit proposal of Moore; (ii) its experience and technical competence in handling audit works for companies listed on The Stock Exchange of Hong Kong Limited; (iii) its independence and objectivity; (iv) Moore possessed the necessary competence, experience and adequate capabilities to perform a quality audit of the Company's financial statements for the year ended December 31, 2024 within a limited time frame and their ability to meet the deadline for financial reporting; (v) the relevant guidelines issued by the Accounting and Financial Reporting Council; (vi) that there was appropriate communication between BDO and Moore on the audit implications of the circumstances leading to BDO's resignation; and (vii) BDO had maintained an effective dialogue with the Audit and Risk Committee including the discussion of the resolution of any audit issues.

Based on the above, the Audit Committee has assessed and considered that Moore is eligible and suitable to act as the auditor for the annual audit of the Company for the year ending December 31, 2024.

The Board had not deviated from any determination and recommendation given by the Audit and Risk Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit and Risk Committee also reviewed the final results of the Company for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Furthermore, the Audit and Risk Committee is responsible for the development, implementation and monitoring of the Company's health, safety, environment, asset integrity management and corporate security policies.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2024 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

Material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern are disclosed in Note 3 of the audited financial statements for the year ended December 31, 2024. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Controls

The Board places great importance on internal controls and is responsible for the Company's risk management and to ensure that the Company maintains sound and effective internal controls. The Company's risk management and internal control policies are designed to provide reasonable, but not absolute, assurance against material misstatements or loss and to help the Board identify and manage, but not eliminate, risk exposure to help the Company achieve its business objectives.

The Company has adopted risk management and internal control systems which manage the risks associated with its business and operations. The systems adopt the procedure of risk identification, analysis, evaluation, treatment, monitoring and reporting. The controls built into the risk management and internal control systems are intended to manage, not to eliminate, significant risks in the Company's business environment.

During the year ended December 31, 2024, the Company has complied with code provision D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The Company reviews and monitors the adequacy and effectiveness of the risk management and internal control system on an ongoing basis. Given the small size of the Company (3 full time employees as at December 31, 2024) and limited number of transactions processed annually, the Company does not have an internal audit function. In lieu, during the year ended December 31, 2024, the Audit and Risk Committee and the Board have reviewed the overall effectiveness of the Company's risk management and internal controls systems. In conducting such review, the Board has:(i) reviewed and discussed the scope and results of the annual testing with the Company's auditor; and (ii) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board believes that the risk management and internal control systems of the Company are effective and adequate, and is not aware of any material defects in the effectiveness of internal controls.

The Company has established a code of conduct and ethics, which includes a policy on the handling of confidential information, information disclosure and securities dealing for all employees of the Company to comply with when they are in possession of confidential or inside information in relation to the Company. The code of conduct and ethics provides that the Company's employees, officers, Directors and contract employees will uphold our commitment to a culture of honesty, integrity and accountability and that the Company requires the highest standards of professional and ethical conduct from its employees, officers, Directors and contract employees.

Measures have been adopted to ensure that proper safeguards are in place to prevent a breach of the disclosure requirement, which include restricting the access of information to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality; asking employees to sign confidentiality agreements when the Company enters into significant negotiations or transactions; and designating the Executive Directors to speak on behalf of the Company when communicating with external parties such as the media or investors.

The Company's whistleblowing program is administered by an independent third party, and is available for use when someone suspects or is aware of illegal, unsafe or inappropriate activity at work. The whistleblowing program provides an avenue for individuals to raise concerns confidentially and anonymously.

Annual Assessment

A review of the effectiveness of the Company's risk management and internal control system covering all material controls, including financial, operational, compliance, and risk management controls, is conducted annually. The Company's internal control system is assessed against the five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. The Company has also conducted an annual review to assess the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their budget (for training and related programs). The approach, findings, analysis and results of this annual review have been reported to the Audit and Risk Committee and the Board. The Audit and Risk Committee and the Board considered the risk management and internal control systems effective and adequate.

AUDITOR'S REMUNERATION

The Company incurred C$248,000 in 2024 for services provided by the external auditor in connection with financial statements audits, and C$8,089 for non-audit services related to the filing of the Company's annual tax return in Canada.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Ms. Tara Leray, the Chief Financial Officer of the Company was appointed as joint company secretary of the Company on August 15, 2022.

Pursuant to Rule 8.17 of the Listing Rules, a listed issuer must appoint a company secretary who meets the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that a listed issuer must appoint as its company secretary an individual who, in the opinion of the Stock Exchange, is capable of discharging the functions of company secretary of the listed issuer by virtue of his/her academic or professional qualifications or relevant experience.

Ms. Leray currently does not possess the academic or professional qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Chau Hing Ling, the director of corporate services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as its joint company secretary assisting Ms. Tara Leray to discharge his duties as company secretary of the Company. Her primary corporate contact person at the Company is Ms. Tara Leray, the joint company secretary of the Company.

During the year ended December 31, 2024, both Ms. Chau Hing Ling and Ms. Tara Leray have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company (the "**AGM**") provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company, and the chairmen of the Board Committees of the Company will attend the AGMs to answer shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at http://www.jxenergy.ca, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The shareholders communication policy will be reviewed on a regular basis by the Board.

The Company has established a range of communication channels between itself and its Shareholders, investors, and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Company available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our executive Directors and senior management team with existing and potential investors, as required.

Having considered the multiple channels of communication and shareholders engagement in the general meeting, the Board is satisfied that the shareholders communication policy has been properly implemented during 2024 and is effective.

SHAREHOLDERS' RIGHTS

Under the Business Corporations Act (Alberta) (the "**ABCA**"), the directors of a corporation are authorized to call meetings of shareholders. The ABCA establishes two categories of meetings of shareholders: (i) annual meetings, and (ii) special meetings.

There are also specific circumstances in which shareholders may call special meetings where the directors fail to do so.

Pursuant to the applicable provisions of the ABCA, registered or beneficial holders of not less than five per cent (5%) of the issued voting shares may requisition the directors to call a meeting of shareholders. If the directors do not call a meeting within 21 days after receiving the requisition, a shareholder who signed the requisition may call the meeting. The ABCA mandates that such shareholders be reimbursed for expenses incurred in requisitioning, calling, and holding the meeting unless the shareholders resolve otherwise at the meeting.

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting. As regards proposing a person for election as a director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Suite 900, 717-7th Avenue SW, Calgary, Alberta T2P 0Z3, Canada

Phone: +1 403-355-3661

Email: ir@jxenergy.ca

Enquiries are dealt with in a timely and informative manner.

CHANGE IN CONSTITUTIONAL DOCUMENTS

No changes were made to the Company's By-laws during the year ended December 31, 2024.

The Board is pleased to present its report together with the audited financial statements (the "**Financial Statements**") of the Company for the year ended December 31, 2024.

PRINCIPAL ACTIVITIES

The Company is principally engaged in natural gas and crude oil exploration and production, with a focus on natural gas. The Company focuses on long-term growth through acquisition, exploration, development and production in the Western Canadian Sedimentary Basin.

An analysis of the Company's revenue and operating profit for the year by principal activities is set out in the section headed "Management's Discussion and Analysis" in this annual report and the statement of loss and comprehensive loss in the Financial Statements.

The Company was incorporated in Calgary, Alberta, Canada under the Business Corporations Act (Alberta) in 2005 and has no subsidiaries.

BUSINESS REVIEW

A review of the Company's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Company, an analysis of the Company's performance using financial key performance indicators, particulars of important events affecting the Company during the year and an indication of likely future developments in the Company's business, can be found in the sections headed "Chairman's Statement" and "Management's Discussion and Analysis" in this annual report. The financial risk management objectives and activities of the Company can also be found in Note 27 to the Financial Statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management's Discussion and Analysis" in this annual report. The review forms part of this directors' report.

RESULTS

The results of the Company for the year ended December 31, 2024 are set out in the section headed "Management Discussion and Analysis" in this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2024.

DIVIDEND AND DIVIDEND POLICY

The Company has not paid any dividends since incorporation and does not currently have a fixed dividend policy. The Board of Directors will determine any future dividend policy on the basis of, among others things, the results of operations, cash flows and financial conditions, operating and capital requirements, the rules promulgated by the regulators affecting dividends in both Canada and Hong Kong, the Stock Exchange, the amount of distributable profits and other relevant factors.

Subject to the Business Corporations Act (Alberta), the Directors may from time to time declare and authorize payment of such dividends as they may deem advisable, including the amount thereof and the time and method of payment provided that the record date for the purpose of determining shareholders entitled to receive payment of the dividend must not precede the date on which the dividend is to be paid by more than 50 days.

A dividend may be paid wholly or partly by the distribution of cash, specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways. No dividend may be declared or paid in money or assets if there are reasonable grounds for believing that the Company is insolvent or the payment of the dividend would render the Company insolvent.

FINANCIAL SUMMARY

A summary of the Company's results and assets and liabilities for the last five financial years are set out in the section "Five-Year Financial Summary" in this annual report. This summary does not form part of the audited Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2024, the Company had five active customers (2023: five active customers), of which three customers (2023: three customers) exceeded 10% of the Company's revenues. The Company's largest customer accounted for 62% of revenues totaling C$3.1 million, the second largest customer accounted for 18% of revenues totaling C$0.9 million.

For the year ended December 31, 2024, the Company's largest supplier accounted for approximately 62% of the Company's total operating costs. The Company's five largest suppliers accounted for approximately 94% of the Company's total cost of sales.

For the year ended December 31, 2024, the Company incurred C$8.4 million (approximately 62% of the Company's total cost of sales) to Jixing Energy (Canada) Ltd., a private Canadian company controlled by the Company's Chairman Mr. Yongtan Liu pursuant to the Jixing Gas Handling and Jixing Voyager Compression Agreements (the "**Jixing Agreements**") as defined in Note 26 of the Financial Statements. As at December 31, 2024, the Company has a total fair value balance owing to Jixing of C$20.7 million on the Jixing Agreements (see Note 13 of the Financial Statements).

Pursuant to the Term Debt obtained by the Company on March 27, 2023 (see Note 13 in the Financial Statements), any payment made to a related party subordinated to the Term Debt, with exceptions for regular operating payments related to the Jixing Agreements.

Save as disclosed above, none of the Directors or any of their associates (as defined under the Listing Rules) or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Company's five largest suppliers or the Company's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year ended December 31, 2024 are set out in Note 10 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2024 are set out in Note 16 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Company during the year ended December 31, 2024 are set out in Note 18 to the Financial Statements. The Company discloses additional reserves information in it's Annual Information Form which can be found on sedar+ (www.sedarplus.ca) and the Company's website (www.jxenergy.ca).

DISTRIBUTABLE RESERVES

As at December 31, 2024, the Company's distributable reserves were nil.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company as at December 31, 2024 are set out in Note 13 to the Financial Statements.

LOAN AND GUARANTEE

During the year ended December 31, 2024, the Company had not made any loan or provided any guarantee for loans, directly or indirectly, to the Directors, senior management, its Controlling Shareholder or his/her respective connected persons.

DIRECTORS

The Directors during the year ended December 31, 2024 and up to the date of this annual report were:

Executive Directors:

Mr. Yongtan Liu *(Chairman, Interim Chief Executive Officer* appointed on February 14, 2024*)*
Mr. Pingzai Wang *(President and Chief Executive Officer*, resigned on February 14, 2024*)*
Mr. Binyou Dai (appointed on February 14, 2024)

Independent non-executive Directors:

Mr. Zhanpeng Kong
Mr. Larry Grant Smith (resigned on December 24, 2024)
Mr. Clement Ka Hai Hung (resigned on December 24, 2024)
Ms. Kit Man To (appointed on December 24, 2024)
Ms. Jia Wei (appointed on December 24, 2024)

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company as at the date of this annual report are set in the section headed "Profile of Directors and Senior Management" in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended December 31, 2024.

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Mr. Yongtan Liu has entered into a service agreement as Executive Director for an initial term of three years commencing from July 1, 2023. On February 14, 2024, Mr. Liu was appointed as Interim Chief Executive Officer, and does not receive any additional emolument from the Company as the Interim Chief Executive Officer.

Mr. Larry Grant Smith has entered into an appointment letter with the Company as independent non-executive Director for a term of three years commencing from December 4, 2020. The term of appointment was automatically extended for an additional three years on December 4, 2023, and Mr. Smith resigned on December 24, 2024.

Mr. Clement Ka Hai Hung and Mr. Zhanpeng Kong signed appointment letters with the Company as independent non-executive Directors for an initial term of three years commencing from August 1, 2023. Mr. Hung resigned on December 24, 2024.

Ms. Kit Man To and Ms. Jia Wei signed appointment letters with the Company as independent non-executive Directors for an initial term of three years commencing from December 24, 2024.

Mr. Pingzai Wang entered into a service agreement with the Company as Executive Director for a term of three years commencing from July 1, 2020, and the term of appointment was automatically extended for an additional three years commencing July 1, 2023. Mr. Wang received total emoluments of C$368,500 (approximately HK$1,988,667), including severance, in his role as CEO up to his resignation on February 14, 2024. Mr. Wang did not receive any additional emoluments from the Company as an executive Director.

Mr. Binyou Dai has entered into a service agreement with the Company as Executive Director for a term of three years commencing from February 14, 2024. Mr. Dai is currently entitled to receive emoluments excluding bonus and stock-based compensation of C$250,000 (approximately HK$1,349,164) per annum as the Chief Operating Officer, as determined by the Board with reference to his duties, responsibilities, remuneration policy of the Company, performance of the Company as well as the prevailing market condition. Mr. Dai does not receive any additional emoluments from the Company as an Executive Director.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of directors' interests in contracts of significance are set out in Note 26 to the Financial Statements.

MANAGEMENT CONTRACTS

On May 17, 2023, the Company approved new Executive Employment Agreements with Mr. Binyou Dai and Ms. Tara Leray effective June 1, 2023. The Executive Employment Agreements continue indefinitely until terminated in accordance with the terms thereof and the annual base salary prescribed thereunder is subject to annual review.

Included in the Executive Employment Agreements, is a Temporary Adjustment (as defined in the Executive Employment Agreements) whereas the executive agreed to reduce the base salary by 15% until the Company has met certain financial metrics, at which point the accrued and unpaid Temporary Adjustment amounts will become payable.

The Executive Employment Agreements may be terminated by the Company at any time for just cause and in such case the executive is entitled to payment of any pro rata annual base salary earned but unpaid through to the cessation date, any accrued and unused vacation and reimbursable expenses. The Executive Employment Agreements may be terminated by the Company without just cause upon payment of: (i) the pro rata amount of annual base salary earned to and including cessation of employment, accrued and unused vacation pay and reimbursable expenses, (ii) a severance payment equal to one and one-half (1.5) years of the executive's base salary plus any discretionary bonus paid in the preceding year, (iii) the immediate vesting of all outstanding equity derivatives held by the executive, and (iv) the amount of the accrued and unpaid Temporary Adjustment. The executive will have thirty (30) days from the termination date to exercise any in-the-money equity derivatives. Any equity derivatives which are not exercised within 30 days will be cancelled.

The Executive Employment Agreements provide that during a 90 day period following a "change of control'' (as such term is defined in the Executive Employment Agreements) of the Company, the executive may elect to resign from his employment with the Company upon not less than 30 days advance written notice, and upon doing so, the executive shall be entitled to be paid the applicable retiring allowance as set forth above. In each case in which the retiring allowance becomes payable, in order to receive same, the executive is required to provide a release to the Company and its affiliates, in form satisfactory to the Company.

Other than noted above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of controlling shareholder interests in contracts of significance are set out in Note 26 to the Financial Statements.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

Dividends paid or credited or deemed to be paid or credited on the Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is resident.

A Non-Resident Shareholder may also be subject to tax in respect of any capital gain realized by such Shareholder on a disposition of Shares if the Shares constitute "taxable Canadian property" (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention. The Shares will generally not constitute taxable Canadian property to a Non-Resident Shareholder unless certain ownership thresholds and asset value tests have been satisfied.

Shareholders and potential investors should consult an independent tax adviser if they have any doubt about the application of Canadian federal income tax rules to their particular circumstances and the consequences to them of the purchase, ownership withholding tax on dividends and refund procedures as well as disposition of the Shares.

EMPLOYEES

The Company had 3 employees as at December 31, 2024. 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. The Company also provides employees with welfare benefits in accordance with the applicable laws and the internal policies of the Company.

RETIREMENT BENEFITS SCHEME

The Company does not have any employees who are required to participate in the Mandatory Provident Fund in Hong Kong. The Company is in compliance with the statutory requirements in relation to retirement and employment insurance contributions. Subject to very few exceptions, every person over the age of 18 who works in Canada, as well as each employer, must contribute to the Employment Insurance ("**EI**") program and to the Canada Pension Plan ("**CPP**"). Each employee must pay half of the required contributions for CPP and each employer pays the remaining half. Each employee and employer pays their respective portion of the EI premiums.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the directors and senior management of the Company, having regard to the Company's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and highest paid individuals are set out in Notes 20 and 21 to the Financial Statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Director	Nature of Interest	Number and class of Shares[1]	Approximate % of shareholding
Yongtan Liu[2]	Security interest, interest in controlled corporation and interest of spouse	181,194,306	34.65%
	Interest in controlled corporation and interest of spouse	23,600,000	4.51%
Binyou Dai[3]	Beneficial owner	1,580,000	0.30%

Notes:

1. The calculation is based on the total number of 522,886,520 Shares in issue as at December 31, 2024.

2. Jixing Gas Holdings Limited is owned as to 100% by Changchun City Jixing Gas Service for Auto Co. Ltd. ("**Changchun**") which is owned as to 66.70% and 33.30% by Mr. Yongtan Liu ("**Mr. Liu**") and Ms. Lijun Zhang ("**Ms. Zhang**"), respectively. Jixing Gas Holdings Limited also has an interest in 181,194,306 Shares as security interest. Ms. Zhang is the spouse of Mr. Liu. Accordingly, Ms. Zhang is deemed, or taken to be, interested in the Shares which Mr. Liu is interested in for the purposes of the SFO.

3. Mr. Binyou Dai holds a total of 1,140,000 stock options and 440,000 Shares of the Company.

Interest in shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Long/Short position	Number of shares	Approximate % of issued share capital
Yongtan Liu[1]	Changchun	Security interest	Long	N/A	66.70%
	Jixing Gas Holding Limited	Beneficial owner	Long	N/A	66.70%

Note:

1. Jixing Gas Holdings Limited is owned as to 100% by Changchun which is owned as to approximately 66.70% and 33.30% by Mr. Liu and Ms. Zhang, respectively. Jixing Gas Holdings Limited also has an interest in 181,194,306 shares as security interest.

Save as disclosed above, as at December 31, 2024, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Director	Capacity/Nature of interest	Number of shares[1]	Approximate % of issued share capital
Aspen Investment Holdings Ltd.[2] ("**Aspen**")	Beneficial owner and parties acting in concert	181,194,306 (Long Position)	34.65%
Yuan Jing ("**Mr. Jing**")[3]	Interest in controlled corporation and parties acting in concert	181,194,306 (Long Position)	34.65%
Ji Lin Hong Yuan Trade Group Limited (吉林省弘原經貿集團有限公司) ("**JLHY**")[2][4]	Interest in controlled corporation and parties acting in concert	181,194,306 (Long Position)	34.65%
Changchun Liyuan Investment Co., Ltd. (長春市麗源投資有限公司) ("**Liyuan**")[5]	Interest in controlled corporation and parties acting in concert	181,194,306 (Long Position)	34.65%
Guang Jing[6]	Interest in controlled corporation	181,194,306 (Long Position)	34.65%
Jixing Gas Holding Limited[7]	Security interest Beneficial owner	181,194,306 23,600,000 (Long Position)	34.65% 4.51%
Changchun[7]	Security interest Interest in controlled corporation	181,194,306 23,600,000 (Long Position)	34.65% 4.51%
Ms. Zhang[7][8]	Security interest, interest in controlled corporation and interest of spouse Interest in controlled corporation and interest of spouse	181,194,306 23,600,000 (Long Position)	34.65% 4.51%
Dalian Yongli Petrochemical Ltd. (大連永力石油化工有限公司) ("**Dalian**")[9]	Beneficial owner	132,000,000 (Long Position)	25.24%
Zhang Zhong[9]	Interest in controlled corporation	132,000,000 (Long Position)	25.24%

Notes:

1. The calculation is based on the total number of 522,886,520 Shares in issue as at December 31, 2024.

2. Aspen holds 181,194,306 Shares and is owned as to approximately 80.78% and 19.22% by JLHY and Liyuan respectively. Pursuant to the unanimous shareholders agreement dated December 18, 2015 (the "**Unanimous Shareholders Agreement**") as amended on September 3, 2021 (the "**Amended USA**"), Aspen, Mr. Jing, JLHY and Liyuan became parties acting in concert and therefore Aspen is deemed to be interested in all the Shares in which Mr. Jing is interested in under the SFO, which in aggregate represent approximately 34.7% of the total number of the issued Shares of the Company.

3. Mr. Jing is interested in 60% of the equity interest in JLHY. Pursuant to the Unanimous Shareholders Agreement and the Amended USA, Mr. Jing is deemed to be interested in the Shares in which Aspen, JLHY and Liyuan are interested in under the SFO, which in aggregate represent approximately 34.7% of the total number of the issued Shares of the Company.

4. JLHY is held as to 60% by Mr. Jing and 40% by Guang Jing, Mr. Jing's brother. Pursuant to the Unanimous Shareholders Agreement and the Amended USA, JLHY is deemed to be interested in all the Shares in which Aspen, Mr. Jing and Liyuan are interested in under the SFO, which in aggregate represent approximately 34.7% of the total number of the issued Shares of the Company.

5. Liyuan is owned as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, respectively. In addition, pursuant to the Unanimous Shareholders Agreement and the Amended USA, Liyuan is deemed to be interested in all the Shares in which Aspen, Mr. Jing and JLHY are interested in under the SFO, which in aggregate represent approximately 34.7% of the total number of the issued Shares of the Company.

6. Guang Jing holds 40% of the equity interest in JLHY and is therefore deemed to be interested in all the Shares in which JLHY is interested in under the SFO.

7. Jixing Gas Holdings Limited is owned as to 100% by Changchun which is owned as to 66.70% and 33.30% by Mr. Liu and Ms. Zhang, respectively. Jixing Gas Holdings Limited also has an interest in 181,194,306 shares as security interest. Ms. Zhang is the spouse of Mr. Liu. Accordingly, Ms. Zhang is deemed, or taken to be, interested in the Shares which Mr. Liu is interested in for the purposes of the SFO.

8. Ms. Zhang is the spouse of Mr. Liu. Accordingly, Ms. Zhang is deemed, or taken to be, interested in the Shares which Mr. Liu is interested in for the purposes of the SFO.

9. Zhang Zhong holds 100% of the equity interest in Dalian and is therefore deemed to be interested in all the Shares in which Dalian is interested in under the SFO.

Save as disclosed above, and as at December 31, 2024, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024 was the Company or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other corporate body.

ISSUANCE, PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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). On February 8, 2024, the Company completed the placing issuing 30 million common shares.

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 (C$1.28 million). On May 29, 2024 the Company completed the placing issuing 33 million common shares.

Save as disclosed above, the Company has not issued, purchased, redeemed or sold any of its listed securities (including sale of treasury shares, if any) during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles, by-laws of the Company or the ABCA, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

CHANGE IN SHAREHOLDING STRUCTURE OF CONTROLLING SHAREHOLDER

On September 3, 2021 the Company was notified by Aspen, 164 Co, JLHY, Mr. Jing, Liyuan and Mr. Bo that they have entered into an agreement (the "**Aspen Restructuring**") pursuant to which JLHY shall purchase, and Mr. Bo shall sell, all of the shares in Aspen held by 164 Co.

Prior to the Aspen Restructuring it was owned as to approximately 41.09%, 39.69% and 19.22% by JLHY, 164 Co and Liyuan respectively. Upon completion of the Aspen Restructuring on October 28, 2021, JLHY became the owner of approximately 80.78% of the total issued shares in Aspen, and the remaining 19.22% of the total issued shares in Aspen are continued to be held by Liyuan. Immediately before and after the completion of the Aspen Restructuring, it held 181,194,306 Shares, representing approximately 50.07% of the issued share capital of the Company. As such, Mr. Jing continued to retain shareholding control of Aspen, and Aspen remains as the controlling shareholder of the Company.

Prior to the Aspen Restructuring, Aspen, 164 Co, JLHY, Mr. Jing, Liyuan, Mr. Bo and Ms. Hou were considered as a group of controlling shareholders of the Company acting in concert as defined under the Listing Rules (the "**Concert Parties**"), and were party to the Unanimous Shareholder Agreement. On September 3, 2021 the Concert Parties notified the Company that they considered it unnecessary to maintain their acting in concert arrangement after completion of the Aspen Restructuring and agreed to amend the Unanimous Shareholder Agreement (the "**Amended USA**") pursuant to which, among other things, the acting-in-concert arrangement under the Unanimous Shareholder Agreement was terminated; and Mr. Jing replaced Mr. Bo as Aspen's sole director. Immediately upon the execution of the Amended USA, the Concert Parties were no longer deemed to be interested in all the Shares in which Mr. Jing and Mr. Bo were interested in under the SFO, and the Concert Parties were no longer a group of shareholders of the Company acting-in-concert under the Code on Takeovers and Mergers issued by the Securities and Futures Commission. As such, following completion of the Aspen Restructuring, Aspen, JLHY, Mr. Jing and Liyuan are deemed the Controlling Shareholders of the Company.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders, namely Aspen, JLHY, Mr. Jing and Liyuan has executed a deed of non-competition through which they have irrevocably and unconditionally undertaken to the Company that, during the period that the Deed of Non-competition remains effective, he/she/it shall not, and shall procure that his/her/its close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in Alberta, Canada or any other area in which the Company carries on business.

Each of the Controlling Shareholders further undertakes to and covenants with the Company that if he/she/it or his/her/its associates other than the Company is offered or becomes aware of any business opportunity directly or indirectly to engage or become interested in the business of the Company, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify the Company in writing and the Company shall have a right of first refusal to take up such business opportunity. The Company shall, within 30 days after receipt of the written notice (or such longer period if the Company is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders as to whether the Company will exercise the right of first refusal or not. Each of the Controlling Shareholders undertakes and covenants with the Company that he/she/it or his/her/its close associates may only take up such business opportunity if the Company has decided not to exercise the right of first refusal.

The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders".

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at December 31, 2024, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Company.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2019, the Company and Jixing Energy (Canada) Ltd. entered into gas handling agreements, which subsequently became continuing connected transactions of the Company following the appointment of Mr. Liu as an executive Director under Chapter 14A of the Listing Rules. Details of the connected transactions and/or continuing connected transactions entered into during the year ended December 31, 2024 are set out in Notes 13 and 26 of the Financial Statements.

Details of the above continuing connected transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and are set out in the announcements of the Company dated December 19, 2019 and December 23, 2019, which are available on the respective websites of the Stock Exchange and the Company.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmations from the independent non-executive directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended December 31, 2024 and confirmed that they had been entered into:

(i) in the ordinary and usual course of the business of the Company;

(ii) on normal or better commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATIONS FROM THE AUDITORS

As to the requirement set forth in Rule 14A.56 of the Listing Rules, the auditor of the Company has written to the Board to confirm that it has not been aware of any matter which leads it to believe the aforesaid continuing connected transactions:

(i) have not been approved by the Board; and

(ii) are not carried out in accordance with the related transaction agreement in any material respects.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Company for the year ended December 31, 2024 are set out in Notes 13 and 26 to the Financial Statements.

The related party transactions in respect of the remuneration of directors and chief executive of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than directors and chief executive) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The related party transaction in respect of the Jixing Gas Handling and Voyager Compression Agreements (refer to Note 26 of the Financial Statements) became continuing connected transactions as defined in Chapter 14A of the Listing Rules upon the appointment of Mr. Liu as an executive Director on December 18, 2019. None of the other related party transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

During the year ended December 31, 2024, the Company made no charitable or any other donations.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee had reviewed together with management and the external auditor the accounting principles and policies adopted by the Company and the audited Financial Statements for the year ended December 31, 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2024. In addition, the Company is not aware of any non-compliance of the Model Code by senior management of the Company during the Year.

DIRECTORS' INDEMNITIES

The ABCA provides that except in respect of an action by or on behalf of the Company to procure a judgment in the favor of the Company, the Company may indemnify a Director or officer of the Company, a former Director or officer of the Company or a person who acts or acted at the request of the Company as a Director or officer of a body corporate of which the Company is or was a shareholder or creditor, and the Director's or officer's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the Director or officer in respect of any civil, criminal or administrative action or proceeding to which the Director or officer is made a party by reason of being or having been a Director or officer of the Company or body corporate if: (a) the Director or officer acted honestly and in good faith with a view to the best interests of the Company; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Director or officer had reasonable grounds for believing that the Director's or officer's conduct was lawful.

The Company may with the approval of the Court, indemnify a person referred to above in respect of an action by or on behalf of the Company or body corporate to procure a judgment in its favor, to which the person is made a party by reason of being or having been a Director or an officer of the Company or body corporate, against all costs, charges and expenses reasonably incurred by the person in connection with the action if the person fulfils the conditions set out above.

A person referred to above is entitled to and the Company has provided each of the independent non-executive directors an indemnity from the Company in respect of all costs, charges and expenses reasonably incurred by the person in connection with the defense of any civil, criminal or administrative action or proceeding to which the person is made a party by reason of being or having been a Director or officer of the Company or body corporate, if the person seeking indemnity: (a) was substantially successful on the merits in the person's defense of the action or proceeding; (b) fulfils the conditions set out above; and (c) is fairly and reasonably entitled to indemnity.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this annual report.

AUDITOR

The shares of the Company were listed on the Stock Exchange on March 10, 2017. KPMG LLP ("**KPMG**") were Company's auditors from the listing date until their resignation on August 25, 2020. On March 26, 2021 the Company announced that, with the recommendation from the Audit Committee, it has resolved to appoint BDO Limited ("**BDO**") as the auditors of the Company with effect from March, 26 2021, and to hold office until the conclusion of the AGM of the Company held on August 2, 2021 and was re-appointed as auditor of the Company by the Shareholders.

On December 24, 2024 BDO Limited ("**BDO**") resigned as the Company's auditor after the Company considered that the expected audit fee of the Company's financial statements for the year ending December 31, 2024 may not be competitive given the current scale of the Company's operations and current market conditions.

BDO confirmed in its letter of resignation that, save as disclosed above, there are no other circumstances connected with its resignation that it considers ought to be brought to the attention of the shareholders of the Company (the "**Shareholders**"). The Board is not aware of any disagreements between the Company and BDO, or other matters save as disclosed above in relation to the change of auditor that need to be brought to the attention of the Shareholders.

The Board, with the recommendation from the Audit Committee of the Company, resolved to appoint Moore CPA Limited ("**Moore Hong Kong**") as the auditor of the Company with effect from December 24, 2024 to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

The Audit and Risk Committee considered a number of factors in assessing the appointment of Moore Hong Kong as the auditor, including but not limited to (i) the audit proposal of Moore Hong Kong; (ii) its experience and technical competence in handling audit works for companies listed on The Stock Exchange of Hong Kong Limited; (iii) its independence and objectivity; (iv) Moore Hong Kong possessed the necessary competence, experience and adequate capabilities to perform a quality audit of the Company's financial statements for the year ended December 31, 2024 within a limited time frame and their ability to meet the deadline for financial reporting; (v) the relevant guidelines issued by the Accounting and Financial Reporting Council; (vi) that there was appropriate communication between BDO and Moore Hong Kong on the audit implications of the circumstances leading to BDO's resignation; and (vii) BDO had maintained an effective dialogue with the Audit and Risk Committee including the discussion of the resolution of any audit issues.

Based on the above, the Audit Committee has assessed and considered that Moore Hong Kong was eligible and suitable to act as the auditor for the annual audit of the Company for the year ending December 31, 2024, and to hold office until reappointment at the forthcoming AGM.

Save as disclosed above, the Company has not changed its auditor during any of the past three years.

MATERIAL LEGAL PROCEEDINGS

The Company was not involved in any material (exceeding 10% of the Company's total assets) legal proceedings during the year ended December 31, 2024.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2024, the Company was not aware of any non-compliance with relevant laws and regulations that would have an impact thereon.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" in this annual report.

STOCK OPTION PLAN

The Board and the Shareholders have approved the adoption of a stock option plan (the "**Option Plan**"). The purpose of the Option Plan is to permit the granting of options to purchase Common Shares ("**Options**") to directors, officers, employees of, and consultants to, the Company.

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. In addition, the following restrictions apply to the Option Plan:

(a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one individual under the Option Plan within any 12-month period must not exceed 1% of the issued and outstanding Common Shares (on a non-diluted basis). Where any further grant of Options to an individual under the Option Plan would result in the Common Shares issued and to be issued upon exercise of all Options granted and to be granted to such individual (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Common Shares, such further grant must be separately approved by the Shareholders at a special meeting with such individual and his close associates abstaining from voting, and the number and terms of Options to be granted to such individual must be fixed before the Shareholders' approval. In such event, the Company must send a circular to the Shareholders containing the identity of the individual, the number and terms of Options to be granted (and Options previously granted to such individual) and all other information required by the Stock Exchange. The date of the Board meeting proposing such further grant should be taken as the grant date for the purpose of calculating the Exercise Price (as defined in the Option Plan) under Article 6;

(b) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to Related Persons (as defined in the Option Plan) (as a group) may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis) unless disinterested Shareholder approval is obtained;

(c) the grant to Related Persons (as a group) within a 12-month period of an aggregate number of Options may not exceed 10% of the issued and outstanding Common Shares (on a non-diluted basis) unless disinterested Shareholder approval is obtained;

(d) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any consultants or persons conducting investor relations activities may not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis) unless disinterested Shareholder approval is obtained; and

(e) each grant of Options to a director, executive officer or substantial shareholder of the Company, or any of their respective associates, under the Option Plan shall comply with the requirements of the Stock Exchange. Specifically, each grant of Options to any of the foregoing persons shall be approved by independent non-executive directors of the Company (excluding any independent non-executive director that is an individual participating in the Option Plan).

Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Common Shares; and

(ii) where the securities listed on the Stock Exchange, having an aggregate value, based on the closing price of the Common Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by Shareholders at a special meeting, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Stock Exchange rules in this regard. All core connected persons of the Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an Option granted to a substantial shareholder of the Company or an independent non-executive director, or any of their respective close associates, is also required to be approved by Shareholders in the aforesaid manner.

Each Option and all rights thereunder will expire on the date set out in the applicable option agreement and will be subject to the earlier termination provisions of the Option Plan, provided that in no circumstances will the duration of an Option exceed 10 years from the date of grant. Under the Option Plan, in the event of the death of a participant, the Options previously granted to such participant will be exercisable only within one year after such death and then only to the extent that such deceased participant was entitled to exercise his Option at the date of his death.

Pursuant to the Option Plan, the Exercise Price shall be fixed by the Board at the time that the Option is granted and shall be at least the highest of: (i) the closing price of the Common Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; or (ii) the average closing price as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the grant date. The Option Plan also provides that the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting.

The Option Plan is administered by the Board, which has authority and discretion, subject to the express provisions of the Option Plan, to interpret the Option Plan, to amend the Option Plan and to make all other determinations deemed necessary or advisable for the administration of the Option Plan. The Board has the right, in its sole discretion, to amend, suspend or terminate the Option Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders; provided that any amendment to any provision of the Option Plan will be subject to any required regulatory approval, stock exchange rules and the provisions of applicable law, if any, that require the approval of shareholders. Notwithstanding the foregoing, the Company will be required to obtain the approval of disinterested Shareholders for any amendment related to: (i) the issuance to any one individual within a 12-month period a number of Common Shares exceeding 1% of the issued and outstanding Common Shares; and (ii) reducing the Exercise Price for outstanding Options granted to an insider of the Company.

On May 18, 2020, the Company granted 3.78 million options with an exercise price of HK$0.52 per option and a term of 5 years (the "**2020 Option Grant**"). The options vest equally over a 3 year period, with the first tranche vesting on the first anniversary of the date of grant, and the second and third tranches vesting equally on the second and third anniversary respectively. The closing price of the Company's common shares on May 15, 2020, being the last day of trading before the 2020 Option Grant was HK$0.50 per share.

On November 30, 2022, the Company granted 0.8 million options with an exercise price of HK$0.48 per option and a term of 5 years (the "**2022 Option Grant**"). The options vest equally over a 3 year period, with the first tranche vesting on the first anniversary of the date of grant, and the second and third tranches vesting equally on the second and third anniversary respectively. The closing price of the Company's common shares on November 29, 2022, being the last day of trading before the 2022 Option Grant was HK$0.445 per share.

Details of the options granted under the Stock Option Plan and those remained outstanding as at December 31, 2024 are set out below:

	Options Granted		Number of options					
Name and category of participant	Date	Amount	As of January 1, 2024	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As of December 31, 2024
Director(s) and their associate(s)								
Mr. Pingzai Wang	May 18, 2020	1,500,000	1,500,000	–	–	(1,500,000)	–	–
Mr. Binyou Dai	May 18, 2020	1,140,000	1,140,000	–	–	–	–	1,140,000
Other employees	May 18, 2020	1,140,000	1,140,000	–	–	–	–	1,140,000
Other employees	Nov 30, 2022	800,200	800,200	–	–	–	–	800,200
Total		**4,580,200**	**4,580,200**	**–**	**–**	**(1,500,000)**	**–**	**3,080,200**

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGES IN THE BOARD AND THE DIRECTOR'S INFORMATION

The changes in the Board since the date of the Company's 2024 interim report are set out below:

- Mr. Larry Grant Smith has resigned as an independent non-executive Director of the Company on December 24, 2024.

- Mr. Clement Ka Hai Hung has resigned as an independent non-executive Director of the Company on December 24, 2024.

- Ms. Kit Man To has been appointed as an independent non-executive Director of the Company on December 24, 2024.

- Ms. Jia Wei has been appointed as an independent non-executive Director of the Company on December 24, 2024.

Save as disclosed above, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

1.1 Overview

This is the Environmental, Social and Governance Report (the "**ESG Report**") of JX Energy Ltd. (hereinafter "**JX**", the "**Company**", "**we**", "**our**" or "**us**"), for the period from January 1, 2024 to December 31, 2024 (the "**Reporting Period**").

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**"), Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEx**"). An "HKEX ESG Content Index" that maps the information contained in the report to the ESG Guide, along with a summary list of 'Material Environmental Key Performance Indicators', is provided in the Appendixes to this ESG Report.

1.2 Core Business of the Company

Founded in 2005, JX is a Calgary-based public oil and gas company focusing on the exploration, development and production of liquids-rich natural gas and light oil resources in Canada.

During the Reporting Period, the Company focused on two core areas of operation — Alberta Foothills and Peace River — with a daily average production volume of 631 BOE per day.

1.3 Report Boundary

This ESG Report covers the Company's policies, initiatives and environmental, social and governance ("**ESG**") performance in Canada during the Reporting Period. The environmental data of our office is considered immaterial and is not included in the data disclosure of this ESG Report.

1.4 Endorsement

This ESG Report has been reviewed and approved by the board of directors (the "**Board**") of the Company.

1.5 Contact

We welcome any comments and suggestions you may have on this ESG Report. For any feedback, please feel free to contact us by email to ir@jxenergy.ca.

2 ESG MANAGEMENT

2.1 Our Approach

The Company recognizes corporate responsibility as integral to the successful achievement of its wider business objectives and strategies while creating value for stakeholders with integrity and accountability. We operate our business in a responsible manner and within our operations in Canada, we work to foster a corporate culture that embraces a high standard of corporate governance, environmental protection and social development.

The Company's directors are responsible for developing board policies and procedures related to:

- environmental management and sustainability;
- employment and labour practice;
- operating practices; and
- community.

To assist the Board in managing ESG-related issues, the Company has established an executive leadership team ("**ELT**") comprising its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The ELT ensures proper communication of ESG-related matters between the Company's Board and employees is in place, which is aimed at improving the overall ESG performance in the long term.

2.2 Environmental and Social Management

Based on our business nature, our major concerns with regard to environmental and social considerations are the health, safety and environmental aspects.

The Company is committed to ensuring safe and healthy working locations and work practices, as well as protecting the environment. We believe that safety and protecting the environment is vital to our business and that all work-related injuries and illnesses, property losses and adverse environmental impacts are preventable.

Below are the six goals set forth in our health, safety and environmental ("**HSE**") policy which we have achieved:

Regulatory and HSE Programme Compliance

All personnel are knowledgeable of, and have complied with applicable regulatory requirements, with industry best practices and with the requirements of their HSE programme as implemented at the Company's worksites.

Environmental Protection

Protection of the environment is an integral part of the Company's operations and has been managed at all stages during the planning and execution of projects.

Hazard Reporting and Right to Refuse Unsafe Work

Worksite hazards must be immediately reported and eliminated or controlled. Worksite personnel have the right and the responsibility to refuse to conduct assigned work when unsafe conditions exist or where they are insufficiently trained to safely complete the work.

Work Procedures

Only approved work procedures have been used. Worksite personnel (including the Company's employees and contractors) must be suitably trained in the procedures applicable to their work and must be supervised where required.

Employee Awareness and Training

Our employees have been trained in the content and implementation of the Company's Health, Safety and Environment Management System and in procedures applicable to their work. Contractors who are responsible for their personnel assigned to the Company's worksites are trained in applicable work procedures, and in the requirements of their specific HSE programmes, as implemented at the Company's worksites.

Emergency Planning and Response

The Company maintains documented emergency response procedures to ensure a prompt and efficient response to foreseeable emergencies as well as to ensure its employees and contractors are trained in this area.

2.3 Materiality Assessment

With regard to the ESG considerations and their associated HSE aspects, the following materials are identified:

Material aspect	Relevance
Wastewater discharge	It includes the water produced from wellheads during the production process. Wastewater is collected by the Company and sent to the authorized third parties for treatment and discharge.
Carbon emissions	Carbon emissions arise from the fuel-operated machinery, flaring in well tests and methane emissions during production operations.
Hazardous waste	Hazardous wastes are produced in the production process and maintenance activities.
Non-hazardous waste	Non-hazardous wastes are produced in our production sites.
Use of resources	Resources such as electricity, water, diesel and natural gas are used to support our production and maintenance processes.

Maintaining a good relationship with stakeholders is crucial to the long-term success of the Company. Therefore, for the purpose of further understanding any particular ESG aspects that are material to both the Company and its stakeholders, we plan to conduct a series of stakeholder engagement work in future.

In the future, we plan to concentrate our efforts on internal stakeholders. We would identify representative internal stakeholders and invite them for interviews. The findings would then be used to support a materiality assessment. Subject to the findings of the materiality assessment, representative external stakeholders would be identified and invited for interview to further enhance the stakeholder engagement programme and materiality assessment results.

3 ENVIRONMENT

3.1 Emissions

We are aware of the impact of our operations on the surrounding environment, and conduct our operations in an environmentally conscious and responsible manner. We adhere to, and are compliant with the relevant laws and regulations of Alberta and adopt generally accepted industry safety standards in managing emissions from crude oil and natural gas exploration, production and transportation operations.

Air Emission

The main sources of air emissions in our operations are from gas-engine compressors, gas-engine pumpjacks and flaring.

Under the Alberta Environmental Protection and Enhancement Act, we are subject to strict air quality standards and have to comply with the Ambient Air Quality Objectives set forth by the Government of Alberta for managing and protecting air quality.

Statutory emission limits of various pollutants, including nitrogen oxides, sulphur dioxide and particulate matter, are set, and we are obligated to design and operate facilities to prevent any exceedance, e.g. we conserved most of the solution gas as fuel gas and limited venting with the combined flaring and venting volume.

Carbon Emissions

One of our major sources of carbon emissions are various machines such as compressors and pumpjacks that consume fuel. In addition, nominal amounts of methane gas may be released during the normal operation of some hardware such as condensate tanks, dehydration packages, pneumatic devices and safety relief valves.

To reduce carbon emissions, we have installed some solar panels to reduce the use of thermal electricity generators at our well sites. Recovery of methane emission and reduction of flaring during well tests are undertaken to avoid unnecessary carbon emissions.

Hazardous and Non-hazardous Waste

A limited amount of hazardous waste is generated from our production process. Hazardous waste is handled in strict compliance to all the applicable laws such as Waste Control Regulation and Alberta Energy Regulator's Directive 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry. During the production processes and drilling and completion operations, the hazardous waste including water, oil and solids, drilling cuttings and fluids, and produced water are collected on site and delivered to authorized third parties for treatment and disposal.

We seek to reduce the generation of non-hazardous waste at source. The "3R" principle is widely adopted, i.e. reduce, reuse and recycle whenever possible. Waste segregation is also undertaken to further enhance the recycling performance. For paper, we encourage the use of duplex printing to reduce waste generation. In 2022, one flare system was installed in one gas wellsite to reduce benzene emission.

Wastewater Management

During the production process, wastewater is generated from wellheads along with oil and gas. It contains elevated levels of dissolved ions (salts), hydrocarbons and trace elements. We are fully aware that any improper discharge of the wastewater would harm the surrounding environment.

To reduce the impact to the water quality, all wastewater is stored on-site temporarily. A third party authorized by the local government is engaged for the collection, treatment and disposal in accordance with local statutory requirement. We also implement all necessary measures to reduce the generation of wastewater, e.g. reuse of fracturing water in the production process.

Noise

As required by the relevant laws and regulations, we conduct a noise impact assessment when we install new rotating equipment. The purpose of the assessment is to ensure the noise from the machines is below a specific level, which would not harm operators. As there were no new installations in the reporting year, noise assessment was not necessary to be conducted.

At the existing well sites, we continue to implement various mitigation measures such as the use of mufflers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. Noise is hence mitigated to a lower level, which complies with relevant laws and regulation.

Compliance Status

During the Reporting Period, the Company was not aware of any non-compliance with relevant local laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

3.2 Use of Resources

We are committed to conserving resources within our operations, for it is part of our corporate social responsibility and reduces our operating cost. At our production sites, we adopt local power generation so electricity from power company was not purchased. Throughout our business operations, we implement different resource-saving measures to conserve energy, water, paper and other office supplies. The measures taken range from equipment efficiency improvement, the reuse and recycling of materials and changing the behavior of our people.

To conserve resources, the Group continuously implements various measures including:

— procuring energy efficient-equipment when possible;

— installing solar panels at production sites;

— monitoring the temperature of air-conditioned rooms;

— encouraging our employees to switch off lighting when leaving a room and shut down computers after working hours;

— encouraging duplex printing in our offices;

— promoting the use of electronic communication means over paper handouts; and

— reusing fracturing water.

We believe improving our resource efficiency is one of the best ways to demonstrate our commitment to protecting the environment. Details of the key performance data are shown in the Appendix I — Environmental Performance Indicators. We shall continue to enhance resource utilization by applying new technology, as well as improving our management expertise and employee awareness.

3.3 Environment and Natural Resources

Environmental Planning and Monitoring

It is acknowledged that oil and gas production has potential negative impact on the environment from emission of various substances generated from operations, drilling/production waste handling and development/maintenance of surface leases and right of ways. Therefore in all our projects, we incorporate environmental considerations, policies and planning in different phases and work co-operatively and effectively with communities, government agencies and stakeholders to reduce the potential impacts of our operations.

We are subject to and comply with environmental legislation which provides for, among other things, restrictions and prohibitions on emissions, requirements with respect to waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

With regards to environmental planning, we conduct Environmental Effect Evaluation ("**EEE**") to thoroughly understand the potential impact of our projects. Through EEE, we develop long-term management and mitigation strategies to ensure our major activities meet our environmental, social and economic commitments, which are developed in consultation with the Company's stakeholders.

The EEE is an important tool in our regulatory applications that support our growth and development plans by highlighting any regional risks to be addressed in project planning. For example, we document traditional ecological knowledge shared by aboriginal communities and consider its use when compiling baseline environmental information, developing monitoring programmes and planning mitigation (e.g. reclamation).

During the planning stage of new projects, we recognize environmental and historical aspects associated with operating in or near these areas, and work very closely with the respective administrative authorities of these areas, following our corporate statement regarding the environment. Our approach includes:

— Title search — this identifies ownership of the lands for the proposed development, as to whether or not our proposed development is on crown land, freehold land, provincial or federal park, etc.

— Review of the provincial "Listing of Historic Resources" to determine if a proposed development may affect historic resources, including archaeological and paleontological sites, aboriginal traditional use sites of a historic resource nature (burial, ceremonial sites etc.), and/or historic structures.

— If the proposed development falls on provincial or federal park lands, we will work closely with provincial parks or Parks Canada to determine the steps involved, including EEEs as required.

— If the proposed development falls on any historic lands identified in the listing, we will work with the provincial culture and tourism authorities, and perform Historic Resources Effect evaluations with professional archaeologists as required.

— In some cases, we are required to consult with respective aboriginal communities for the development on these lands.

— In all cases, efforts are committed to minimizing our footprint.

We also work with government, industry and other stakeholders to implement and advance environmental policy and initiatives involving air, land and water.

The province of Alberta has established frameworks for the management of air, land and water. As part of our commitment to protect the environment, we adopt these frameworks into our operating practices to implement comprehensive mitigation plans for sensitive landscapes, wildlife and aquatic systems. We also participate in research programmes for land planning, caribou restoration and reclaimed land. These environmental frameworks establish, for instance, limits on emissions to protect the air, restrictions on water use to protect water quality and water withdrawals, tailing reclamation timelines and increasing the amount of conserved land.

We support environmental monitoring as part of managing development in a responsible manner. We support openness, transparency and the generation of scientifically reliable data that addresses the public/stakeholder concerns related to natural gas operations. Environmental monitoring allows us to continually measure our performance, establish targets and work towards improvement. Monitoring of air emissions, water use and land disturbance occurs at our larger facilities.

Risk and Incident Management

Our management systems are designed to ensure we evaluate, prevent and mitigate the risk of incidents occurring. Response plans are documented within the Emergency Response Plan ("**ERP**") to predict the extent and magnitude of all risks. Rare events, such as an equipment malfunction that results in an incident, are managed quickly in accordance to our structured ERPs. These procedures help manage the event as systematically and thoroughly as possible to mitigate any additional impacts and facilitate the safe return to normal operations in a timely manner. Protocols are in place to identify the sequence of response actions to potential incidents such as the shutdown of the incident source, communication to government and public, and clean-up of any effects.

We continue to develop strategies that are planned to enable us to deal with the risks and opportunities associated with new greenhouse gas and air emission policies. In addition, we will work with relevant parties to ensure that the new policies encourage technological innovation, energy efficiency, and targeted research and development while not impacting our competitiveness.

4 CLIMATE CHANGE

4.1 Climate-related Risk Identification and Mitigation

Climate-related risks can affect every aspect of the Company's business. The Board and ELT are responsible for identifying climate-related risks inherent to the Company's operations and assets on an annual basis, and are responsible for approving and implementing strategies to mitigate these risks. The Board and ELT collectively establishes the strategic financial direction and operational objectives of the Company, integrating climate change and other sustainability considerations into business planning and monitoring the effectiveness and integrity of the Company's internal controls related to operational risks of physical assets and other sustainability matters.

Carbon Emissions

The Board and ELT have identified carbon emissions as a key climate-related risk of the Company's business and operations. To mitigate this risk, the Board and ELT have assessed the carbon emissions associated with the Company's operations, and identified and implemented policies to reduce carbon emissions and eliminate unnecessary carbon emissions when possible.

The Company's major sources of carbon emissions are various machines such as compressors and pumpjacks that consume fuel. In addition, nominal amounts of methane gas may be released during the normal operation of some hardware such as condensate tanks, pneumatic devices and safety relief valves. To reduce carbon emissions, we have installed some solar panels to reduce the use of thermal electricity generators at our well sites. Recovery of methane emission and reduction of flaring during well tests are undertaken to avoid unnecessary carbon emissions.

On a quarterly basis the Board and ELT will review and assess the effectiveness of the Company's internal controls in respect of carbon emissions and will continue to develop strategies to enable the Company to deal with the risks and opportunities associated with climate change. The Company will continue to ensure that the new policies encourage technological innovation, energy efficiency, and targeted research and development while not impacting its competitiveness.

5 SOCIAL

5.1 Employment and Labour Standards

Employees are important assets to the Company. To attract and retain talents, we have a holistic policy regarding the recruitment, employment, promotion and retention of our employees.

5.1.1 Equal Opportunity Policies

We are committed to providing a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional workplace that promotes equal opportunities and prohibits discriminatory practices or remarks.

As an equal opportunity employer, we ensure the fair treatment of both our potential and existing employees, and strive to provide a diverse work environment. Recruitment and promotion decisions are based on the qualification, work experience, suitability and skills of candidates. We will not discriminate, harass or vilify any applicants or employees on the grounds of their gender, age, marital status, pregnancy, nationality, ethnicity, sexual orientation, disability, race, ethnic origins or religion.

All employees at JX are subject to a three-month probationary period, which begins on the first day of employment. This probationary period provides an opportunity for the employees to assess their desire to be part of the JX team and for the Company to assess the employees' ability to meet the performance standards and requirements of the role.

JX is committed to and strongly encourages employee growth and development through regular coaching and feedback. Formal performance reviews are an important part of this process. Each year, in discussion with their supervisors, employees will establish objectives, discuss their performance and accomplishments, review their skills and behaviors, and discuss their career development needs. Performance reviews are conducted at least annually, in conjunction with salary and bonus reviews.

5.1.2 Employee Benefits

As part of providing an engaging work environment, we are dedicated to providing fair remuneration, reasonable working hours and rest periods for our employees to maintain work-life balance.

In compliance with the Alberta Employment Standards Regulation, the usual work schedule is 40 hours per week, Monday to Friday from 8:00 a.m. to 5:00 p.m.. We observe the statutory holidays each year and in cases where a statutory holiday falls on a weekend, an alternate work day will be announced for observation of the holiday.

To provide our employees with a period of rest and relaxation away from work, and as a means of recognizing their years of services, permanent full-time employees are entitled to annual vacation with pay. The entitlement of vacation is mainly based on employees' length of service with JX, and prior work experience in industries relevant to their position may be recognized.

All vacation requests are to be made in writing to the employee's immediate supervisor. Approval of vacation requests are at the discretion of the manager/supervisor who will review the request to determine if there are adequate resources available, competing requests for vacation or other operational concerns that may impact the ability to grant the vacation during the time requests.

Besides annual vacations, our employees are also entitled to the following leaves of absence:

— Paid Sick Leave

Paid time off is provided when an employee is personally ill and unable to attend work. For absence that last three or more consecutive working/business days, employees may be asked to provide a medical certificate to the Company indicating their fitness to return to work.

— Bereavement

Bereavement, or compassionate leave, applies to the loss of a family member or family member of an employees spouse. Paid leave of up to three days would be granted.

— Domestic Violence Leave

Domestic violence leave is for employees, dependent children, or a protective adult who lives with an employee that experiences an act of domestic violence. Employees can take up to 10 days of unpaid domestic violence leave each calendar year.

— Citizenship Leave

Employees can take up to a half-day of paid citizenship ceremony leave once in their lifetime to attend their Canadian citizenship ceremony.

— Compassionate Care and Critical Illness Leaves

An employee is entitled to compassionate care leave to give care or support to a seriously ill family member who is at risk of death within 26 weeks. A 27 week unpaid leave of absence and a guarantee that the position will be held on return would be provided.

An employee is entitled to critical illness leave to give care or support to a critically ill child or family member, or for themselves. Employees can take up to 36 weeks of unpaid leave for a child, and 16 weeks for an adult or themselves, and a guarantee that the position will be held on return would be provided.

— Maternity and Parental Leaves
All employees are eligible for maternity and/or parental leave including adoption. Birth mothers are entitled to a 16 week unpaid maternity leave, while fathers and adoptive parents are eligible to request up to 62 consecutive weeks of unpaid parental leave. All employee benefits (e.g. life insurance, extended health and dental coverage, health spending account) will be maintained by JX for the duration of an employee's maternity leave.

— Reservist Leave
Employees who are reservists are entitled to take job-protected leave when deployed to an operation outside of Canada (including any required pre- or post-deployment activities) or within Canada to assist with an emergency and as long as necessary to take part in Canadian Forces operations or for annual training.

— Death or Disappearance of a Child Leave
An employee is entitled to death or disappearance of a child leave if the death or disappearance of a child occurs as a result of a probable Criminal Code offence. Employees can take up to 52 weeks of unpaid leave of absence if the child has disappeared, and up to 104 weeks if the child has died as a probable result of a crime with a guarantee that the position will be held on return would be provided. An employee is not entitled to this leave if they have been charged with the crime that resulted in the death or disappearance of the child.

— Personal and Family Responsibility Leave
Personal and family responsibility leave is for employees where it is necessary for the health of the employee or for the employee to meet his or her family responsibilities in relation to a family member. An employee is eligible for up to 5 days of unpaid leave each calendar year with a guarantee that the position will be held on return would be provided.

— Long-term Illness and Injury Leave
All employees are eligible for unpaid long-term illness and injury leave of up to 16 weeks each calendar year with a guarantee that the position will be held on return would be provided.

JX has provided eligible employees with additional long-term illness, injury and accidental death and dismemberment insurance coverage as part of its benefits package administered by a third-party benefits provider.

Through the Employee Manual and other documents, we communicate our human resources policies to all employees to ensure they understand the rights and obligations in relation to the terms and conditions of their employment.

5.1.3 Employee Relationship

The Company aims to promote a culture of trust, mutual respect and dialogue in the working environment. It is important that all employees play a role and make the office a harmonious place through their daily interactions with others. The Company's senior management in particular plays a key role by:

— partnering with and supporting employees to resolve issues that arise;

— encouraging employees to report inappropriate behavior of any nature and investigating every complaint of workplace harassment with the utmost sensitivity and confidentiality; and

— imposing strict disciplinary measures if a complaint is founded.

As at December 31, 2024, the Company had a total of 3 full-time (no part-time) employees, all located at the Calgary head office with the following attributes:

	No. Employees Female	Male
Position		
Staff	1	
Executive	1	1
Age Group		
31-40	1	
41-50	1	
51-60		1

During the Reporting Period, two employees left the Company without being replaced, and there has not been any incidence of work strikes or labour disputes that had adversely impacted the Company's operations.

Handling Conflicts

From time to time, conflicts inevitably happen. However, when handled effectively, they are opportunities to improve the relationships and systems within the Company. We encourage our employees to handle conflicts as soon as they arise by speaking directly with those involved in the conflict.

If the conflict cannot be resolved directly by those involved, our employees may ask their immediate supervisor for assistance. However, as a matter of principle and practice, both parties should be present in all discussions whenever possible.

Workplace Harassment

The Company is committed to ensuring that no worker is subjected to harassment, whether verbal, physical, visual, cyber, or otherwise in the workplace. Harassment, including retaliation due to reporting or participating in an investigation of harassment, is a form of discrimination. It is prohibited by the Individual Rights Protection Act. Harassment is considered a degrading and threatening workplace behavior, and it will not be tolerated at any of the Company's worksites.

To fulfil the commitment, the Company has developed a harassment policy, which establishes control measures to effectively address any harassment issue. The Company is further committed to dealing promptly and effectively with any incident that may occur with regard to harassment. While discriminatory acts are not precisely defined, they include:

— unwelcome conduct, comments, gestures, action, whether verbal, written, graphic or physical. Harassment may concern a person's race, religious beliefs, colour, place of origin, gender, sexual orientation, gender identity, mental or physical disability, ancestry, marital status, family status or any other protected status, and

— is either implicitly or explicitly utilized as a basis for any employment decision (e.g. condition of employment/hire, promotion, determining compensation, job security, evaluation of performance, etc.); and/or

— has the purpose or the effect of interfering with the person's work performance or creating an intimidating, hostile or offensive work environment.

We encourage employees to voice their complaint when they believe they are being harassed. Our Employee Manual has clear instructions on how to handle harassment before escalating the incident to managers or the human resources department. When the incident is sufficiently serious and cannot be resolved by bringing the matter to the other person's attention, they shall report the incident immediately to their manager or human resources department.

All complaints are to be taken seriously, involving a thorough and objective investigation of the facts. To protect the involved employees, all pertinent information regarding a complaint is kept confidential. The human resources department, whether internal or external, is to assist with the investigation and work with all relevant parties to determine the best method of resolution of the concerns. If an investigation reveals evidence of inappropriate behavior, appropriate follow-up and disciplinary action would be initiated and documented accordingly.

Violence in Workplace

JX believes in the prevention of violence and promotes an abuse-free environment in which all people respect one another and work together to achieve common goals. Any act of violence committed by or against any worker or member of the public is unacceptable conduct and is not tolerated.

The Company is committed to:

— developing and maintaining a suitable control programme;

— investigating reported incidents of violence in an objective and timely manner;

— taking necessary actions; and

— providing appropriate support to victims.

No action shall be taken against an individual for making a complaint or participating in an investigation, unless the complaint is made maliciously.

Disciplinary Action and Dismissal

JX believes in the merits of a "progressive discipline" approach for dealing with workplace-related issues (i.e. discuss/clarify expectations and concerns, identify opportunities for improvement, etc.). Notwithstanding, the management retains the discretion to determine the nature and extent of any disciplinary actions (up to and including dismissal) based on a review of the specific circumstances. A copy of all written warnings will remain in the employee's personnel file and receipt of such warnings without commensurate performance improvement could result in the dismissal of the employee.

Disciplinary actions and dismissals are subject to Canadian employment regulations at both the federal and provincial level. During the Reporting Period, the Company did not undertake any disciplinary action or dismiss any of its employees.

Employee Privacy Policy

JX is committed to maintaining the accuracy, confidentiality and security of employee personal information and will make every reasonable effort to ensure that the collection, use, disclosure, access to, and retention and copying of, employee personal information is limited to that necessary for specific legal and business purposes.

Employees who collects, holds and has access to, or uses employee personal information must be thoroughly familiar with our privacy policy and take all necessary precautions to protect against unauthorized access, disclosure, copying, use, modification, destruction, loss or theft of such information, regardless of the format in which it is held.

Compliance Status

During the Reporting Period, the Company was not aware of any material non-compliance with the relevant laws and regulations related to compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare.

5.2 Health and Safety

JX is committed to ensuring the health and safety of our employees and all others involved in our operations. As a company that produces oil and gas, the health and safety of employees is our top priority.

We recognize the potential hazards and that controlling these hazards is critical to avoiding any potential injuries. A Health, Safety and Environment Manual and ERP, which also applies to our contractors and consultants, is in place and it documents the generally accepted industry safety standards adopted for the exploration, production, transportation and sale of crude oil and natural gas. It provides guidelines with respect to occupational safety, covering drilling and completions, well servicing, transportation of dangerous goods, procedures for handling chemicals and explosive materials and emergency plans.

Safety programme management is a constantly evolving process, and to help monitor our performance. We have implemented a Safety Management System to monitor and record employee occupational health and safety statistics. During the most recent year including the Reporting Period, there were no material accidents in the course of operations, no accidents related to the health or safety of our employees or contractors and no lost days due to injury. We had neither received any claims for personal or property damage by employees nor paid any compensation as a result.

5.2.1 Risk Assessment

We believe that recognition of risk is the first step towards reducing it. We regularly perform risk assessments to prevent the development of unsafe and unhealthy working conditions. Employees are expected to be familiar with risk assessment principles and procedures, with the Company Risk Matrix and with applying these tools to the work that they perform.

Through annual training and hazard identification/assessments, we ensure that the employees are competent to perform their tasks in a safe manner. Such competency is to be verified before employees are permitted to perform their tasks independently.

5.2.2 Safety Training

We provide safety training to ensure employees are competent in performing their jobs in a safe manner. Through these training, workers are adequately qualified, suitably trained and provided with sufficient experience, to safely perform work with a minimal degree of supervision.

On entering an active site, all individuals are required to participate in an orientation session. During this session, all locations of the spill plan and spill kits are provided. An overview of the plan is provided by the site supervisor leading the orientation session.

In addition to site orientations, all employees and contractors are required to have their basic first aid training, as well as Workplace Hazardous Materials Information System (WHMIS) training, before working at the site. Supervisors are required to have advanced level first aid training, as well as transport of dangerous goods training.

During drilling and construction operations, workers may be exposed to hydrogen sulphide (H2S), which occurs naturally in the earth in crude petroleum, natural gas reservoirs, volcanic gases and hot springs. When inhaled in high concentration, H2S is poisonous to humans with a toxicity that can be compared to that of carbon monoxide or cyanide. It can quickly cause paralysis to the respiratory system and unconsciousness.

Because of the risks of H2S exposure to workers in the petroleum industry, workers must successfully complete the H2S course before working in the field. We provide H2S Alive® course for all employees and it is a mandatory for all workers who may come into contact with H2S gas. Employees will learn how to work safely in and around H2S environments and receive a three-year certificate when necessary.

5.2.3 Emergency Response Plan

JX strives to provide and maintain a workplace free of incidents, but despite our best efforts to prevent incidents, there may be occasions where our actions, the actions of others or natural occurrences result in the need for emergency response actions. In the unfortunate case of accidents, proper ERP can ensure that all necessary actions are taken by the Company for the protection of the environment, the surrounding community and the Company's personnel and assets.

If an unplanned operational event occurs, the employee or contractor detecting the incident shall determine if the incident has the potential to cause:

— a threat to worker or public health, and safety;

— loss of property;

— a negative impact on the environment; and

— a perception of risk by the public and neighbouring stakeholders.

If it is determined that there is an actual emergency situation (or the perception of an emergency by the public), the Company's employee or contractor must take appropriate response action to address the incident. This includes the authority to activate and implement any part of the ERP to prevent the emergency situation from escalating. Once the ERP is activated, it is of utmost importance and urgency that the appropriate person in charge and government agencies are notified as outlined in the ERP.

We regularly conduct emergency response training to ensure that employees and contractors are capable of handling the situation and make the right decisions when responding to real emergencies. Through simulated emergency response exercises, such as a table top exercise and fire drills, we examined our emergency plan in a structured way to reveal mistakes and omissions that will be subsequently corrected.

Compliance Status

During the Reporting Period, the Company was not aware of any material non-compliance with relevant laws and regulations related to providing a safe working environment and protecting employees from occupational hazards.

5.3 Development and training

JX recognizes the value that training and development programmes bring to the organization. We see the self-development of employees as an important component of our continued success. Not only are we seeking to enhance the knowledge and skills of our associates, we are also helping our associates with their personal development through our policies.

At JX, the continuing education for existing employees is just as important as the new hire training. As part of the annual performance review process, employees are encouraged to identify and discuss with their supervisor appropriate professional development and educational opportunities related to their present position and/or future career opportunities.

We encourage employees to learn more and get the designation or certification in their fields, such as Professional Engineer (P. Eng) in the engineering department and Certificate of Professional Accountant (CPA) in the financial department. JX also provides support on tuition and member fees to help employees achieve and extend their designations. As a general guideline, educational courses required to maintain professional designations or certifications will be considered for reimbursement as well as expenses related to participation in relevant local, national or international workshops and conferences may be covered.

In addition, eligible courses should generally be sanctioned by a diploma, degree, certificate or trade ticket that is approved by relevant professional or government authorities. Any time away from work required to attend and/or complete the course needs to be identified prior to approval being granted.

During the Reporting Period, 100% of the Company's employees received training pursuant to their professional development. The following table summarizes the average training hours completed per employee by gender and position during the Reporting Period:

	Average Training Hours	
	Female	**Male**
Position		
Staff	8	
Executive	20	6

5.4 Labour Standards

It is our ethical responsibility to meet the minimum labour standards. To fulfil that responsibility and safeguard our reputation, we maintain a clear policy of no child or forced labour across our operations in accordance with the principles of Alberta Employment Standards Regulation.

During the recruitment process, we perform ID checks to screen out all underage applicants. We comply with all relevant legal and other requirements to prevent poor labour treatment. This extends to all our key contractors, sub-contractors and suppliers, and we ensure that they are aware of the employment policy through communication.

Compliance Status

During the Reporting Period, the Company was not aware of any material non-compliance with relevant laws and regulations related to child or forced labour.

5.5 Supply Chain Management

For JX, suppliers and contractors are indispensable parts of our business. During the Reporting Period, the Company utilized the services of approximately 75 suppliers all located in western Canada for its operating and capital expenditures. We believe effective management of supply chain is crucial for maintaining our high business performance. To provide our colleagues with guidelines and procedures that are to be adhered to in conducting procurement activities, we have in place the Procurement Policy and Procedures Manual.

Under the Procurement Policy, we maintain an Approved Vendor List of suppliers and contractors and reviews it annually after assessing each of them, among others, to ensure their policies are in line with the Company's requirements on occupational health, safety and environment protection. New vendors have to pass the due diligence checks done by JX or professionals enlisted by JX before they are included in the Approved Vendor List.

All procurement of equipment, facilities, goods, materials, supplies and services must be conducted in compliance with the procurement procedure, to ensure that every procurement decision is aligned to JX's objectives, policies and principles for managing environmental and social risk of our supply chain. Procurements should take into consideration safety management and environmental protection, and shall be the result of competitive bidding, technically and commercially. All purchase orders and contracts are approved by the Company's management with relative levels of authorities defined in the procurement procedure.

5.6 Product Responsibility

JX's main products are natural gas and light crude oil which are not packaged or labelled. Production from our wells is processed to remove contaminates and sold directly to purchasers via gas pipeline or oil receiving terminal. During the Reporting Period, our marketing activities were comprised of our continuous disclosure obligations (press releases, financial statements and other filings and announcements as required), and management presentations with shareholders, prospective investors, and brokers. Personal and corporate information and data is collected through any aspect of the Company's business is gathered and maintained in accordance with the requisite legislation governing these activities. With all our business operations conducted within Alberta, the Company is committed to high ethical standards, and the protection of health, safety and environment.

JX's Employee Manual and Code of Conduct details the Company's policies in respect of observing and protecting intellectual property rights, including defined and strict confidentiality provisions. Additionally, the Company's employment contracts for staff and executives, service contracts for directors and consulting contracts for consultants all include specific language safeguarding confidential information and intellectual property rights. If any employee, executive, director or consultant was found to be in breach of their obligations pursuant to any agreement, the Company would have legal remedies available under the terms of the contract and under applicable Alberta provincial, and Canadian federal legislation.

Reliable conduct within the Alberta oil and gas industry is critical for the Company's consistent long-term operations. We comply with Alberta's safety and environmental laws related to product responsibility, as well as other applicable laws and regulations. As we are only engaged in the exploration, development and production phase of oil and gas, we rely on external transportation services and processing plants to refine our products to reach relevant standards and deliver our products to points of sales. During the Reporting Period, there were no incidents of product recall due to safety and quality issues, and the Company did not receive any service related complaints.

Compliance Status

During the Reporting Period, the Company was not aware of any material non-compliance with laws and regulations related to product responsibility, and the Company was not party to any legal cases regarding corrupt practices.

5.7 Anti-corruption

The Company is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Company's Employee Manual details our anti-corruption policy to provide guidance to the Board and employees of a zero-tolerance approach to all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement, fraud, money laundering and collusion.

As per the Employee Manual, employees and directors must maintain an impeccable standard of integrity in all transactions and carry out their work in an honest and ethical manner as outlined by the anti-corruption policy. They must avoid conflicts of interest and subordination of judgment in performing their duties and responsibilities for the Company.

Whistle Blowing Policy

Employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company are encouraged to come forward and voice those concerns. The Company will endeavour to respond to the concerns fairly and properly.

The Whistle Blowing Policy provides a channel for our employees to report instances they believe to be unethical or in breach of the code of conduct. Suspected non-compliance may be reported verbally or in writing to the department head, chief executive officer or compliance officer of the Company.

When a complaint is filed, dedicated compliance officers will investigate the case using an internal or external party as required, while protecting the whistle blower from reprisal. Our employees, agents or intermediaries found to have breached our Whistle Blowing Policy may be subject to termination of contract, dismissal, sanctions or criminal proceedings.

The Whistle Blowing Policy encourages the reporting of misconducts by assuring whistle blowers protection against unfair dismissal, victimization or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. The Company's employees who victimize or retaliate against those who have raised concerns under this policy will be subject to disciplinary actions.

However, the Company's employees who make a false report maliciously, with an ulterior motive, without reasonable grounds that the information in the report is accurate or reliable, or for personal gain, may face disciplinary action, including the possibility of dismissal.

Compliance Status

During the Reporting Period, the Company was not aware of any material non-compliance with the relevant laws and regulations related to bribery, extortion, fraud and money laundering in all material respects.

5.8 Community Investment

With site development in the regions of the Alberta Foothills and the Peace River area, the Company understands the potentially disruptive impacts that its drilling projects and facilities may have on the nearby communities, in particular the potential environmental and cultural impact on Aboriginal Canadians living in the areas in which the Company operates. Therefore, we strive to minimize such impacts and seek to ethically conduct our business to protect the interest of all stakeholders.

We respect the history, heritage and culture of the communities. Through effective management of stakeholder relationships, we enhance trust and confidence of the communities where we operate. Prior to the launch of any site development, a series of public consultations will be conducted. Relevant stakeholders will include members of the public, regulatory bodies and local and aboriginal communities who are, or may be, affected by the proposed exploration and/or development activities. The Company ensures that a transparent and respectful relationship is built and maintained with the local community and relevant stakeholders.

During the reporting period, the Company dedicated approximately 10 man-hours associated with stakeholder and community engagement.

A APPENDIX I — ENVIRONMENTAL PERFORMANCE INDICATORS

KPI	Unit	2024
Use of Resources		
Water use (for well completions)	m^3	0
Natural gas use	m^3	2,467,892
Per boe[1]	*m^3/boe*	*10.93*
Propane use	Litres	82,451
Per boe[1]	*Litres/boe*	*0.37*
Diesel use	Litres	0
Per boe[1]	*Litres/boe*	*0.00*
Emissions		
Drilling cuttings and drilling fluids	m^3	0
Produced water	m^3	860.9
Per boe[1]	*m^3/boe*	*0.0038*
Production wastewater/oil/solid	m^3	0
Per boe[1]	*m^3/boe*	*0.0000*
Methane emission	m^3	77,089
Per boe[1]	*m^3/boe*	*0.34*
Non-hazardous waste disposed	tonnes	0
Air emissions		
Sulphur oxides (SO_x)	tonnes	0.02
Particulate matter (PM)	tonnes	0.30
Nitrogen oxides (NO_x)	tonnes	3.89
Volatile organic compound (VOC)	tonnes	0.23
Carbon monoxide (CO)	tonnes	1.86
Total carbon emissions	tonnes CO_2	4,820
Total carbon emissions (Scope 1 and 2) per boe[1]	*tonnes CO_2/boe*	*0.0213*

1 Based on 2024 total Company production of 225,822 barrels of oil equivalent ("**boe**")

B APPENDIX II — HKEX ESG CONTENT INDEX

	Aspects	Section	Remarks
A	**Environmental**		
A1	**Emissions**	3.1	
	a) Policies and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		
A1.1	The types of emissions and respective emission data	Appendix I	
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.5	Description of measures to mitigate emissions and result achieved	3.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	3.1	
A2	**Use of Resources** Policies on the efficient use of resources, including energy, water and other raw materials	3.2	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.3	Description of energy use efficiency initiatives and results achieved	3.2	

	Aspects	Section	Remarks
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	3.2	There are no significant issues identified in sourcing water that is fit for purpose.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	—	Packaging material is not identified as material to the Company.
A3	**The Environment and Natural Resources** Policies on minimizing the issuer's significant impact on the environment and natural resources	3.3	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	3.3	
A4	**Climate Change** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer		
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	4.1	
B	**Social**		
B1	**Employment and Labour Practices** Policies on employment and compliance with relevant laws and regulations that have a significant impact on the issuer on the following aspects: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare	5.1	
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	5.1	
B1.2	Employee turnover rate by gender, age group and geographical region	5.1	

	Aspects	Section	Remarks
B2	**Health and Safety** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to providing a safe working environment and protecting employees from occupational hazards	5.2	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	5.2	
B2.2	Lost days due to work injury	5.2	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	5.2	
B3	**Development and Training** Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities	5.3	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	5.3	
B3.2	The average training hours completed per employee by gender and employee category	5.3	
B4	**Labour Standards** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to preventing child and forced labour	5.4	
B4.1	Description of measures to review employment practices to avoid child and forced labour	5.4	
B4.2	Description of steps taken to eliminate such practices when discovered	5.4	
B5	**Supply Chain Management** Policies on managing environmental and social risks of the supply chain	5.5	
B5.1	Number of suppliers by geographical region	5.5	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	5.5	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.5	

	Aspects	Section	Remarks
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.5	
B6	**Product Responsibility** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to health and safety, advertising, labelling and privacy matters related to products and services provided and methods of redress	5.6	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	5.6	
B6.2	Number of products and service related complaints received and how they are dealt with	5.6	
B6.3	Description of practices relating to observing and protecting intellectual property rights	5.6	
B6.4	Description of quality assurance process and recall procedures	5.6	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	5.6	
B7	**Anti-corruption** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to bribery, extortion, fraud and money laundering	5.7	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	5.7	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	5.7	
B7.3	Description of anti-corruption training provided to directors and staff.	5.7	
B8	**Community Investment** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5.8	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5.8	
B8.2	Resources contributed (e.g. money or time) to the focus area	5.8	

MOORE

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大華馬施雲
會計師事務所有限公司

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JX ENERGY LTD.
(Incorporated in Canada with limited liability)

OPINION

We have audited the financial statements of JX Energy Ltd. (the "**Company**") set out on pages 102 to 160 which comprise the statement of financial position as at December 31, 2024, and the statement of loss and comprehensive loss, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements presented fairly, in all material respects, the financial position of the Company as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards ("**IFRSs**") as issued by the International Accounting Standard Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 and 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of property, plant and equipment

(Refer to notes 5, 10 and 18 to the financial statements)

As at December 31, 2024, the Company recorded an impairment loss of approximately C$4,319,801 on its property, plant and equipment. The estimated recoverable amount of the cash generating units involves numerous estimates including the future discounted cash flows associated with natural gas price, expected forecasted production volumes and estimated oil and gas reserves. The estimation of oil and gas reserves involves the expertise of qualified reserve evaluators engaged by the Company.

We have identified the impairment assessment of property, plant and equipment as a key audit matter because of its significance to the financial statements of the Company and is a judgemental process which requires estimates concerning the forecast future cash flows associated with the assets in determining the recoverable amount.

The selection of a valuation model, adoption of key assumptions and input data may be subject to management bias and changes in these assumptions and inputs to the valuation model may result in significant financial impact.

Our procedures in relation to the impairment assessment of property, plant and equipment included:

- Examining and challenging management's assessment of impairment indicators and the methodology adopted by management in the impairment assessments with reference to the requirements of the prevailing accounting standards;

- Assessing management's determination of cash generating units ("**CGU**") for the respective stand alone cash-generating units based on our understanding of the Company's business;

- Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the Company, and the methodology used by the independent qualified reserves evaluators;

- Comparing the 2024 actual production, operating, royalty and capital costs of the Company to those estimates used in the prior year's estimate of proved reserves to assess the Company's ability to accurately forecast;

- Comparing the forecasted commodity prices used in the estimate of proved and probable reserves to those published by other reserve engineering companies;

- Comparing estimates of forecasted production, forecasted operating, royalty and capital cost assumptions used in the estimate of proved and probable reserves to historical results;

- Examining the impairment test completed by the Company, with the assistance of a valuation specialist with specialized skill and knowledge who assisted in evaluating the Company's discount rate, by comparing it against market data and other external data. The valuation specialist estimated the recoverable amount of the CGUs using the estimate of the cash flows associated with the CGUs' reserves and the discount rate evaluated by the specialist and compared the results to market data and other external pricing data; and

- Evaluating the key assumptions adopted in the financial statements in respect of the impairment assessment of the CGUs with reference to the requirements of the prevailing accounting standards.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion with a material uncertainty related to going concern section on those statements on 18 April 2024.

OTHER INFORMATION

The directors of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by IASB, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by those charged with governance in discharging their responsibilities for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore CPA Limited

Moore CPA Limited
Certified Public Accountants
Hung Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 28 March 2025

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**	–
Convertible debt derivative portion	13	**41,714**	–
Current portion of lease liabilities	11	**240,519**	740,845
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	**10,546**	251,069
Long term debt	13	**9,101,882**	11,552,733
Decommissioning liabilities	14	**760,517**	1,550,791
Total liabilities		**47,349,094**	41,007,614

STATEMENT OF FINANCIAL POSITION

As at December 31, 2024
(Expressed in Canadian dollars)

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

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		**(87,877)**	(1,083,586)
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	**(4,471,173)**	(10,387,644)
Total expenses		**(21,108,102)**	(31,331,604)
Loss from operations		**(16,206,720)**	(18,875,153)
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		**–**	(196,463)
Loss before taxes		**(20,267,110)**	(21,146,164)
Income taxes		**–**	–
Loss and comprehensive loss		**(20,267,110)**	(21,146,164)
Loss per share			
Basic and diluted	24	**(0.04)**	(0.05)

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)

	Note	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**
Loss 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)**

	Note	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
Loss 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	**7,610,099**	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	**211,491**	363,305
Supplementary information:			
Interest paid		**837,974**	1,432,876

The accompanying notes form part of these annual financial statements.

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.

2 BASIS OF PREPARATION (Continued)

(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.

3 GOING CONCERN (Continued)

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 the 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.

3 GOING CONCERN (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

(i) Financial assets and Financial Liabilities (Continued)

- Fair value through profit or loss ("**FVTPL**") (Continued)
  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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

(i) Financial assets and Financial Liabilities (Continued)

- Impairment of financial assets (Continued)

  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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

- 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Impairments (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

(Expressed in Canadian dollars unless otherwise indicated)

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(o) Share-based payments (Continued)

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

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	*Lack of Exchangeability*[1]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments and Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS Accounting Standards	*Annual improvements to IFRS Accounting Standards Volume 11*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[4]

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Standards issued but not yet effective (Continued)

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 of 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.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Critical judgments in applying accounting policies (Continued)

(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.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Key sources of estimation uncertainty (Continued)

(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.

(Expressed in Canadian dollars unless otherwise indicated)

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		
Financial assets measured at amortized cost:		
Cash and cash equivalents	**211,491**	363,305
Accounts receivable	**692,330**	825,963
	903,821	1,189,268
Financial liabilities		
Financial liabilities measured at amortized cost:		
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
Financial liabilities measured at fair value:		
Convertible debt derivative portion	**41,714**	–
	45,646,063	37,643,089

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.

(Expressed in Canadian dollars unless otherwise indicated)

7 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

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

(b) Supplementary cash flows information

	Year ended December 31,	
C$	2024	2023
Change in non-cash working capital:		
Accounts receivable	**133,633**	1,803,442
Prepaid expenses and deposits	**639,388**	(217,177)
Accounts payable and accrued liabilities[1]	**7,143,959**	6,617,481
	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	**7,561,832**	9,035,730
	7,916,980	8,203,746

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

(Expressed in Canadian dollars unless otherwise indicated)

7 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

C$	Lease liabilities	Shareholder loans	Subordinated debt	Term debt	Convertible Debenture	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	**(740,849)**	**(1,889,552)**	**–**	**(827,230)**	**–**	**(3,457,630)**
Interest repayment of lease liabilities	**(87,824)**	**–**	**–**	**–**	**–**	**(87,824)**
Changes from financing cash flows	**(828,673)**	**(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	**251,065**	**10,331,021**	**–**	**3,315,424**	**2,372,260**	**16,269,770**

(Expressed in Canadian dollars unless otherwise indicated)

8 ACCOUNTS RECEIVABLE

C$	As at December 31, 2024	As at December 31, 2023
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:

C$	As at December 31, 2024	As at December 31, 2023
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.

(Expressed in Canadian dollars unless otherwise indicated)

9 EXPLORATION AND EVALUATION ASSETS

C$	As at December 31, 2024	As at December 31, 2023
Balance, beginning of period	**5,914,591**	10,257,507
Net Disposals	**(1,881,305)**	(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.

(Expressed in Canadian dollars unless otherwise indicated)

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)
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)**
At December 31, 2024	**169,678,906**	**(149,018,815)**	**20,660,091**

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 (2023 – 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.

As at December 31, 2024, all the physical property, plant and equipment with a cost of approximately C$5,223,350 (2023: C$5,223,350) were pledged to secure loans granted to the Company as set out in Note 13.

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).

(Expressed in Canadian dollars unless otherwise indicated)

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	(297,577)	(486,702)	(11,030)	(795,309)
At December 31, 2023	143,869	623,312	21,385	788,566
At January 1, 2024	**143,869**	**623,312**	**21,385**	**788,566**
Additions	**–**	**–**	**–**	**–**
Amortization	**(88,671)**	**(490,917)**	**(12,033)**	**(591,621)**
At December 31, 2024	**55,198**	**132,395**	**9,352**	**196,945**

(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	(397,500)	(655,867)	(14,000)	(1,067,367)
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	**(130,000)**	**(684,672)**	**(14,000)**	**(828,672)**
At December 31, 2024	**74,329**	**167,922**	**8,814**	**251,065**

(Expressed in Canadian dollars unless otherwise indicated)

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

C$	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**

C$	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

C$	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 liabilities primarily consist of accrued professional fees and operating costs.

(Expressed in Canadian dollars unless otherwise indicated)

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

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

As at December 31, 2024 and 2023, the aging analysis of trade payables based on invoice date 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

(Expressed in Canadian dollars unless otherwise indicated)

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:

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

(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 (refer to Note 10) 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.

13 LONG-TERM DEBT, LONG-TERM PAYABLE AND CONVERTIBLE DEBENTURE (Continued)

Long-term debt (Continued)

(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 secured the fixed assets owned by the Company (refer to Note 10). 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).

(Expressed in Canadian dollars unless otherwise indicated)

13 LONG-TERM DEBT, LONG-TERM PAYABLE AND CONVERTIBLE DEBENTURE (Continued)

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, management of the Company 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.

(Expressed in Canadian dollars unless otherwise indicated)

13 LONG-TERM DEBT, LONG-TERM PAYABLE AND CONVERTIBLE DEBENTURE (Continued)

Convertible debenture

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

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

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 determined on the basis of a valuation carried out by the management of JX Energy.

(Expressed in Canadian dollars unless otherwise indicated)

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.

(Expressed in Canadian dollars unless otherwise indicated)

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)
At December 31, 2023	459,886,520	220,212,755
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)**
At December 31, 2024	**522,886,520**	**222,417,603**

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 (C$1.28 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.

(Expressed in Canadian dollars unless otherwise indicated)

16 SHARE CAPITAL (Continued)

(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.

HK$ except number of options amounts	Number of Options	Exercise Price
At January 1, 2023	3,780,000	$0.52
Granted	800,200	$0.48
At December 31, 2023	4,580,200	$0.51
At January 1, 2024	**4,580,200**	**$0.51**
Cancelled	**(1,500,000)**	**$0.52**
At December 31, 2024	**3,080,200**	**$0.51**

(Expressed in Canadian dollars unless otherwise indicated)

16 SHARE CAPITAL (Continued)

(d) Stock options and share-based expenses: (Continued)

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

(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.

(Expressed in Canadian dollars unless otherwise indicated)

17 REVENUE AND SEGMENT INFORMATION (Continued)

Revenue summary

	Year ended December 31,	
C$	**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	**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.

(Expressed in Canadian dollars unless otherwise indicated)

17 REVENUE AND SEGMENT INFORMATION (Continued)

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$1.0 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

	Year ended December 31,	
C$	**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 assessments by management based on the nature of the E&E assets, no impairment was recognized.

(Expressed in Canadian dollars unless otherwise indicated)

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

2024 PP&E impairment (Continued)

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]	**+2.0%/yr**	**+2.0%/yr**

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	**2,303,111**	**200,440**	**101,000**	**61,000**	**417,000**

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.

(Expressed in Canadian dollars unless otherwise indicated)

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

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 *(C$/Bbl)*	AECO Gas *(C$/mmbtu)*
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)	+2.0%/yr	+2.0%/yr

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

(Expressed in Canadian dollars unless otherwise indicated)

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

2023 PP&E impairment (recovery) (Continued)

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	2,561,208	(590,407)	131,511	61,084	424,688

19 PERSONNEL COSTS, REMUNERATION POLICY AND AUDITORS' REMUNERATION

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

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.

(Expressed in Canadian dollars unless otherwise indicated)

19 PERSONNEL COSTS, REMUNERATION POLICY AND AUDITORS' REMUNERATION (Continued)

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 directors 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:

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

(Expressed in Canadian dollars unless otherwise indicated)

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	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments and Phantom Unit changes	Total Emoluments
Executive directors						
Pingzai Wang[1]	–	368,500	–	–	–	368,500
Yongtan Liu[2]	–	–	–	–	–	–
Binyou Dai[3]	–	218,500	–	–	–	218,500
Independent non-executive directors						
Larry Smith[4,6]	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 To[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 after 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.

(Expressed in Canadian dollars unless otherwise indicated)

20 DIRECTORS' EMOLUMENTS (Continued)

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 and phantom unit changes	Total Emoluments
Executive directors						
Pingzai Wang[1]	–	330,000	–	–	18,706	348,706
Yongtan Liu[2]	–	–	–	–	–	–
Independent non-executive directors						
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.

(Expressed in Canadian dollars unless otherwise indicated)

20 DIRECTORS' EMOLUMENTS (Continued)

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:

	Year ended December 31,	
C$	**2024**	2023
Salaries and other emoluments[1]	**372,882**	503,488
Share-based compensation	**16,004**	28,059
Total	**388,886**	531,547

(1) Included in the emoluments is C$0.05 million related to Binyou Dai prior to becoming a director of the Company on February 14, 2024.

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

	Year ended December 31,	
Hong Kong dollars	**2024**	2023
Nil – 1,000,000	**2**	1
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**–**	1

(Expressed in Canadian dollars unless otherwise indicated)

22 FINANCE EXPENSES

	Year ended December 31,	
C$	**2024**	2023
Interest expense and financing costs:		
Subordinated and Term debt (Note 13)	**329,789**	721,817
Shareholder term loan debt (Note 13)	**755,959**	711,060
Right of use assets and leases (Note 11)	**87,824**	172,869
Commitment charges[1]	**78,739**	(128,099)
Capital payables (Note 12)	**–**	120,663
Convertible debenture (Note 13)	**112,858**	–
Other financing costs and bank charges	**39,614**	78,191
Accretion expenses:		
Decommissioning liabilities (Note 14)	**47,651**	45,537
Shareholder loans (Note 13)	**(85,854)**	(117,381)
Long-term payable (Note 13)	**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:

	Year ended December 31,	
C$	**2024**	2023
Loss before income taxes	**(20,267,110)**	(20,935,772)
Combined Federal and Provincial tax rate	**23.0%**	23.0%
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	**3,752,800**	4,564,383
Income tax expense	**–**	–

(Expressed in Canadian dollars unless otherwise indicated)

23 INCOME TAXES (Continued)

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:

	Year ended December 31,	
C$	**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	**39,400**	39,400
Total	**166,032,092**	149,715,567

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

	Year ended December 31,	
C$ except share amounts	**2024**	2023
Loss and comprehensive loss	**(20,267,110)**	(21,146,164)
Weighted average number of common shares	**506,165,209**	453,776,931
Loss per share – basic and diluted	**(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.

(Expressed in Canadian dollars unless otherwise indicated)

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:

C$	**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 (Note 20)	**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.

(Expressed in Canadian dollars unless otherwise indicated)

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with directors (Continued)

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 (collectively the "**Jixing GHCA**"), 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.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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).

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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	**8,889,489**	**8,889,489**	**8,889,489**	**–**	**–**	**–**
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	**45,855,415**	**50,674,656**	**17,410,695**	**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

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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:

	Year ended December 31,	
Expressed in C$	**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 (current and long term portions)	**(11,291,092)**	(12,767,994)
USD Convertible debenture	**(2,372,260)**	–
Overall net exposure	**(16,073,810)**	(13,040,881)

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.

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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:

C$	As at December 31, 2024	As at December 31, 2023
Long term debt (excluding current portion as per Note 13)	**9,101,882**	11,552,733
Long-term payable (excluding current portion as per Note 13)	**20,052,041**	12,343,492
Other liabilities	**–**	118,868
Long term lease liabilities (current portion included in net working capital deficit)	**10,546**	251,069
Convertible debenture	**2,372,260**	–
Net working capital deficit	**16,277,973**	13,119,691
Net debt	**47,814,702**	37,385,853
Shareholders' equity	**(21,460,975)**	(5,499,985)
Total	**26,353,727**	31,885,868

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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 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.

(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.

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(f) Fair value measurements of financial instruments (Continued)

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 recognized 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.

(Expressed in Canadian dollars unless otherwise indicated)

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 MMcf/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).

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	8 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.