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JX Energy Ltd.

(吉星新能源有限責任公司)*

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED DECEMBER 31, 2025**

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

The board of directors of JX Energy Ltd. is pleased to announce its audited financial results for the year ended December 31, 2025.

The board (the “**Board**”) of directors (the “**Directors**”) of JX Energy Ltd. (the “**Company**”) is pleased to announce the audited annual financial results of the Company for the year ended December 31, 2025 (the “**Annual Results**”) and its business updates. The Board and its Audit and Risk Committee have reviewed the Annual Results and the Annual Results have been agreed with the Auditor, to the amounts set out in the Company’s Financial Statements as approved by the Board on 26 March 2026 (Calgary time). Please see the attached announcement for further information.

By order of the Board
JX Energy Ltd.
Yongtan Liu
Chairman

Calgary, March 27, 2026

Hong Kong, March 27, 2026

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Yongtan Liu and Mr. Binyou Dai; and three independent non-executive Directors, namely Ms. Kit Man To, Mr. Zhanpeng Kong and Ms. Jia Wei.

** For identification purpose only*

STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

(Expressed in Canadian dollars)

	<i>Notes</i>	As at December 31, 2025	As at December 31, 2024
Assets			
Current assets:			
Cash and cash equivalents	7(a)	83,758	211,491
Accounts receivable	8	1,318,865	692,330
Prepaid expenses and deposits		<u>621,490</u>	<u>242,314</u>
Total current assets		<u>2,024,113</u>	<u>1,146,135</u>
Non-current assets:			
Exploration and evaluation assets	9	123,479	3,884,950
Property, plant and equipment	10	16,228,650	20,660,091
Right of use assets	11(a)	<u>28,925</u>	<u>196,945</u>
Total non-current assets		<u>16,381,054</u>	<u>24,741,986</u>
Total Assets		<u>18,405,167</u>	<u>25,888,121</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	12	5,961,321	8,889,489
Current portion of long-term debt	13	15,465,435	4,544,566
Current portion of long-term payable	13	7,382,579	644,112
Convertible debentures – liability component	13	2,157,550	2,372,260
Convertible debentures – derivative component	13	729,597	41,714
Other loans	15	400,215	–
Current portion of lease liabilities	11(b)	18,549	240,520
Decommissioning liabilities	14	<u>881,448</u>	<u>691,448</u>
Total current liabilities		<u>32,996,694</u>	<u>17,424,109</u>

	<i>Notes</i>	As at December 31, 2025	As at December 31, 2024
Non-current liabilities:			
Long-term payable	<i>13</i>	23,652,878	20,052,041
Long-term debt	<i>13</i>	–	9,101,883
Lease liabilities	<i>11(b)</i>	13,154	10,546
Decommissioning liabilities	<i>14</i>	1,124,526	760,517
		<hr/>	<hr/>
Total non-current liabilities		24,790,558	29,924,987
		<hr/>	<hr/>
Total liabilities		57,787,252	47,349,096
		<hr/> <hr/>	<hr/> <hr/>
Shareholders' equity:			
Share capital	<i>16(b)</i>	229,265,223	222,417,603
Contributed surplus		13,525,838	15,193,215
Accumulated deficit		(282,173,146)	(259,071,793)
		<hr/>	<hr/>
Total shareholders' deficit		(39,382,085)	(21,460,975)
		<hr/>	<hr/>
Total Liabilities and Shareholders' Deficit		18,405,167	25,888,121
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2025

(Expressed in Canadian dollars)

		Year ended December 31,	
	Notes	2025	2024
Revenue			
Commodity sales from production	17	7,401,498	4,968,093
Trading revenue	17	3,584	1,659
Royalty expense		<u>(612,790)</u>	<u>(87,877)</u>
Total net revenue		6,792,292	4,881,875
Other income	17	4,857	19,507
Expenses			
Operating expenses		(15,594,382)	(13,500,830)
General and administrative expenses		(1,665,255)	(1,661,199)
Depletion, depreciation and amortisation		(2,119,268)	(1,474,900)
Impairment losses and write-offs	18	<u>(7,124,025)</u>	<u>(4,471,173)</u>
Total expenses		<u>(26,502,930)</u>	<u>(21,108,102)</u>
Loss from operations		(19,705,781)	(16,206,720)
Finance costs	22	(3,263,604)	(4,066,880)
Change in fair value of derivative component of convertible debentures	13	(538,425)	6,490
Gain on conversion of convertible debentures	13	<u>40,041</u>	<u>—</u>
Loss before tax	19	(23,467,769)	(20,267,110)
Income tax expense	23	<u>—</u>	<u>—</u>
Loss and total comprehensive loss for the year		<u><u>(23,467,769)</u></u>	<u><u>(20,267,110)</u></u>
Loss per share			
Basic and diluted	24	<u><u>(0.04)</u></u>	<u><u>(0.04)</u></u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2025

(Expressed in Canadian dollars)

	Notes	Share capital	Contributed surplus	Accumulated deficit	Total shareholders' deficit
At January 1, 2024		220,212,755	13,091,943	(238,804,683)	(5,499,985)
Shares issued for cash	16(b)	2,540,956	–	–	2,540,956
Allocation to contributed surplus for shares issued above market value	16(b)	(309,168)	309,168	–	–
Share issue costs	16(b)	(26,940)	–	–	(26,940)
Share-based expenses	16(c)	–	16,004	–	16,004
Fair value adjustment on shareholder loan	13(b)	–	13,911	–	13,911
Fair value adjustment on long-term payable	13	–	1,762,189	–	1,762,189
Loss and total comprehensive loss for the year		–	–	(20,267,110)	(20,267,110)
At December 31, 2024 and January 1, 2025		222,417,603	15,193,215	(259,071,793)	(21,460,975)
Shares issued for cash	16(b)	1,964,139	–	–	1,964,139
Conversion of convertible debentures	13	2,193,562	–	–	2,193,562
Allocation to contributed surplus for shares issued above/discount of market value, net	16(b)	2,707,078	(2,707,078)	–	–
Share issue costs	16(b)	(17,159)	–	–	(17,159)
Share-based expenses	16(c)	–	5,927	–	5,927
Lapse of share options	16(c)	–	(366,416)	366,416	–
Fair value adjustment on long-term payable	13	–	1,400,190	–	1,400,190
Loss and total comprehensive loss for the year		–	–	(23,467,769)	(23,467,769)
At December 31, 2025		<u>229,265,223</u>	<u>13,525,838</u>	<u>(282,173,146)</u>	<u>(39,382,085)</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

(Expressed in Canadian dollars)

		Year ended December 31,	
	Notes	2025	2024
Cash flows from operating activities:			
Loss before tax		(23,467,769)	(20,267,110)
Items not involving cash:			
Depletion, depreciation and amortisation		2,119,268	1,474,900
Share-based expenses	19	5,927	16,004
Phantom unit changes		–	16,485
Finance costs		3,767,107	2,788,712
Unrealised foreign exchange (gain)/loss		(662,916)	1,159,830
Change in fair value of derivative component of convertible debentures	13	538,425	(6,490)
Gain on conversion of convertible debentures	13	(40,041)	–
Impairment losses and write-offs	18	7,124,025	4,471,173
		<hr/>	<hr/>
Operating loss before working capital changes		(10,615,974)	(10,346,496)
Changes in working capital, net	7(b)	7,137,831	7,371,454
		<hr/>	<hr/>
Cash used in operations		(3,478,143)	(2,975,042)
Income tax paid		–	–
		<hr/>	<hr/>
Net cash used in operating activities		(3,478,143)	(2,975,042)

		Year ended December 31,	
	<i>Notes</i>	2025	2024
Cash flows from investing activities:			
Sale of exploration and evaluation assets		–	1,900,000
Deposits received for sale of property, plant and equipment		500,000	–
Expenditures on property, plant and equipment		(331,090)	(309,750)
Expenditures on exploration and evaluation assets		(2,360)	(18,695)
		<hr/>	<hr/>
Net cash generated from investing activities		166,550	1,571,555
Cash flows from financing activities:			
Changes in subscriptions payable		–	(1,278,093)
Shares issued for cash, net of share issue costs		1,946,980	2,540,956
Convertible debentures proceed received prior to issuance		–	2,114,801
Proceeds from issuance of convertible debentures	<i>7(c)</i>	–	2,179,062
Proceeds from other loans	<i>7(c)</i>	137,060	–
Proceeds from shareholder loans	<i>7(c)</i>	1,780,689	87,000
Repayment of shareholder loans	<i>7(c)</i>	(228,413)	(1,889,552)
Repayment of principal portion of lease payments	<i>7(c)</i>	(243,165)	(740,848)
Repayment of interest portion of lease payments	<i>7(c)</i>	(24,807)	(87,824)
Repayment of term debt	<i>7(c)</i>	(99,249)	(827,330)
Interest paid	<i>7(c)</i>	(85,060)	(837,974)
		<hr/>	<hr/>
Net cash generated from financing activities		3,184,035	1,260,198
Net decrease in cash and cash equivalents		(127,558)	(143,289)
Effect of exchange rate changes on cash and cash equivalents		(175)	(8,525)
Cash and cash equivalents, beginning of the year		211,491	363,305
		<hr/>	<hr/>
Cash and cash equivalents, end of the year	<i>7(a)</i>	<u>83,758</u>	<u>211,491</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2025

(Expressed in Canadian dollars unless otherwise indicated)

1 CORPORATE INFORMATION

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

Pursuant to an initial public offering on March 10, 2017, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and traded under the stock code of “3395”. The Company has been a reporting issuer under the Securities Act (Alberta) since October 2, 2018.

2 BASIS OF PREPARATION AND PRESENTATION

(a) Statement of compliance

The financial statements set out in this announcement have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), International Accounting Standards (“**IAS Standards**”) issued by the International Accounting Standards Board (“**IASB**”) and Interpretations (collectively “**IFRS Accounting Standards**”). The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements have been prepared on a basis consistent with the accounting policies applied in the financial statements for the year ended December 31, 2024 except for the application of the amendments to an IFRS Accounting Standard that are effective from the current year as set out in Note 4(m).

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS Accounting Standards requires the 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 recognised 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, and the judgments made by management in the application of IFRS Accounting Standards that have a significant effect on the financial statements are discussed in Note 5.

3 GOING CONCERN

The Company incurred a net loss of C\$23,467,769 for the year ended December 31, 2025 and as at December 31, 2025, the Company's current liabilities exceed its current assets by C\$30,972,581. The Company's current liabilities include accounts payable and accrued liabilities, other loans, current portion of long-term payable, current portion of long-term debt, current portion of lease liabilities, decommissioning liabilities and convertible debentures with aggregate carrying amounts of C\$32,996,694 while the Company's cash and cash equivalents amounted only of C\$83,758.

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 and has created a great deal of uncertainty in the global economy and specifically the volatility of natural gas/oil price has significantly affected the operating performance of the Company.

These events or conditions indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Company and its available sources of finance in assessing whether the Company will have sufficient financial resources to continue as a going concern. The directors of the Company have reviewed the Company's cash flow projections prepared by management, which covers a period of at least 12 months from December 31, 2025.

The Company has developed and implemented the following liquidity plans to mitigate the liquidity pressures and to improve the financial position of the Company, and to address the going concern issue:

- The Company has arranged to repay the existing convertible debentures by shares for part of the principal at approximately US\$1.08 million (equivalent to approximately C\$1.48 million) instead of cash under the convertible debenture agreement;
- The Company entered into a loan capitalisation agreement to make partial settlement at approximately C\$3.84 million and C\$7.49 million of certain long-term debt and certain long-term payable, respectively, through the allotment and issuance of shares to the lender;
- The Company entered into agreements with the lender to delay the accrued gas handling and gas compression charges for two years and also has been actively communicating with them to request for undertaking that they would not demand repayment of the amount due to the lender with aggregate amounts of approximately C\$27.26 million or defer the settlement of long-term payable until the Company has excess cash to repay;
- The Company has been actively seeking additional new sources of financing (such as additional advance from shareholders of the Company);
- The Company has been negotiating the new debt replacement with assistance of a capital corporation;
- The Company will continue to strengthen and implement measures aiming at improving the working capital and cash flows of the Company, including closely monitoring the general administrative expenses and operating costs, to increase the Company's internally generated funds; and
- A private company controlled by one of the shareholders of the Company would provide the sufficient financing support.

The directors of the Company are confident that, after the abovementioned measures progressively take effect, the financial condition of the Company will be restored and the uncertainties relating to going concern will be properly addressed. The directors of the Company therefore hold the view that the Company will have sufficient working capital to meet its financial obligations as and when they fall due for the next 12 months from December 31, 2025. Accordingly, the financial statements have been prepared on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Company is able to achieve its plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Company will be able to continue as a going concern for a period of 12 months from the end of the reporting period would depend upon the successful implementation of the above plans and measures:

- The completion of share conversion for the convertible debentures and the said loan capitalisation agreement;
- Successfully obtaining the undertaking from the lender that no action will be taken to demand immediate repayment of the long-term payable;
- The shareholders of the Company could provide the additional funding to the Company on a timely basis;
- The new debt placement could be completed timely to obtain additional capital;
- Successfully strengthening and implementing measures aiming at improving the working capital and cash flows of the Company, including closely monitoring the general administrative expenses and operating costs, to increase the Company's internally generated funds; and
- The private company controlled by one of the shareholders of the Company could provide the sufficient financing support.

Should the Company be unable to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

4 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Revenue recognition

Revenue from contracts with customers is recognised 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 recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised 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, natural gas and natural gas liquids is recognised when control to the products transfers to the customers 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 recognised in the same period in which the related revenue is earned and recorded.

Trading revenue

Revenue is realised when the Company purchases natural gas on the open market to meet its forward sale obligations. The Company is acting as an agent in the transaction as the Company does not control the natural gas before passing to the customers. When the Company satisfies the performance obligation which is when the relevant natural gas has been delivered at contracted delivery points, the Company reports the net amount between the fair value of the consideration received or receivable and 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.

(b) Finance costs

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

Interest expense that is not directly attributable to the acquisition, construction or production of qualifying assets is recognised 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 liability.

(c) Financial instruments

The Company recognises financial assets and financial liabilities on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets, financial liabilities and derivatives are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with *IFRS 15 Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Impairment of financial assets

The Company recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Company always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The ECL is estimated 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, discounted at the original effective interest rate. If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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 realising 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 recognised in profit or loss.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised 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 recognised as an expense.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

The Company classifies its financial liabilities at initial recognition, as financial liabilities at fair value through profit or loss (“**FVTPL**”), loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘Trading revenue’ line item (Note 7) in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

Borrowings

Borrowings are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Covenants that the Company is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Company is required to comply with after the reporting period do not affect the classification at the reporting date.

Convertible debentures

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 equity instruments issued by the Company is a conversion option derivative.

At the date of issue, both the liability component and derivative component are recognised at fair value. In subsequent periods, the liability component of the convertible debentures is carried at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability 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 liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible debentures using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(d) Exploration and evaluation assets

Exploration and evaluation (“**E&E**”) assets include costs capitalised 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 expenses (“**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 capitalised 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 capitalised as intangible assets and are not amortised.

Once the technical feasibility and commercial viability is determined, E&E assets attributable to that area are assessed for impairment with any impairment loss recognised 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 are 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 recognised 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 recognised in profit or loss.

E&E assets are assessed for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. The assessment for impairment is completed on a cash-generating unit (“CGU”) basis. An impairment loss is recognised in profit or loss and separately disclosed.

(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, amortisation, 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 capitalised, including directly attributable G&A expenses. Improvements that increase the capacity or extend the useful lives of related assets are also capitalised.

Office equipment

Office equipment is carried at cost less accumulated amortisation, 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.

Depletion of development and production assets are measured on 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 capitalised 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.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

For divestitures of properties, a gain or loss is recognised 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 recognised in profit or loss.

(f) Impairments of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the 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 (“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:

- 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
- management’s estimate of net present value of additional asset development not included in above, using a pre-tax discount rate.

FVLCD is estimated by consideration of the following:

- 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;
- management's estimate of fair value of undeveloped land;
- a review of the values indicated by the metrics of recent market transactions of similar assets within the oil and gas industry; and
- management's estimate of additional fair value from asset development not included in (i) above.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. 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 recognised and circumstances indicate the loss no longer exists or is decreased. An impairment loss reversal is recognised in profit or loss.

(g) Provision and decommissioning liability

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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 capitalised as property, plant and equipment. Actual costs incurred upon settlement of the obligations are charged against the liability. Any difference between the actual costs incurred upon settlement of the obligations and the recorded liability is recognised as a gain or loss in the profit or loss in the period in which the settlement occurs.

(h) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income taxes payable are based on taxable earnings for the year. Taxable earnings differ from profit before income taxes as reported in the statement of comprehensive income 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 recognised in profit or loss.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable earnings will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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

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.

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

(i) Related party transactions

- (1) A person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.

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

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

(j) 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 as a lessee

The Company recognises 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 Company presents right-of-use assets as a separate line item on the statement of financial position.

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 presents lease liabilities as a separate line item on the statement of financial position.

The Company has elected not to recognise 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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Retirement benefit costs and short-term employee benefits

The Company participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to consolidated profit or loss as they are paid/become payable in accordance with the rules of the scheme.

The Company operates the CPP Scheme for all qualifying employees in Canada. The assets of the schemes are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5.25% of relevant payroll costs, capped at CAD292,000 per annually, to the CPP Scheme, in which the contribution is matched by employees. Payments to the Canada Pension Plan ("CPP") are recognised as an expense when employees have rendered service entitling them to the contributions. The Company has no legal or construction obligations to pay further contributions after payment of their contributions.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

(l) 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. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment 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 recognised in contributed surplus, is recorded as an increase to share capital.

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

(m) Application of the amendments to an IFRS Accounting Standard in issue and effective

In the current year, the Company has applied, for the first time, the following amendments to an IFRS Accounting Standard, which is mandatorily effective for the accounting period beginning on January 1, 2025 for the preparation of the financial statements:

Amendments to IAS 21	<i>Lack of Exchangeability</i>
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The application of the amendments to an IFRS Accounting Standard has had no material impact on the Company’s results and financial position for the year ended December 31, 2025. The Company has not early applied any new or amendments to IFRS Accounting Standards that is not yet effective for the year ended December 31, 2025.

(n) New and amendments to IFRS Accounting Standards in issued but not yet effective

The Company has not early applied any of the following new and amendments to IFRS Accounting Standards, that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependant Electricity¹</i>
Amendments to IFRS Accounting Standards	<i>Annual improvements to IFRS Accounting Standards – Volume 11¹</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

This standard introduces the following three sets of new requirements to improve entities' reporting of financial performance and give investors a better basis for analysing and comparing entities:

- Presentation of new defined subtotals in the statement of profit or loss;
- Disclosures about management-defined performance measures; and
- Enhanced requirements for grouping (aggregation and disaggregation) of information.

IFRS 18 supersedes IAS 1 “Presentation of Financial Statements”. Requirements in IAS 1 that are unchanged have been transferred to IFRS 18 and other IFRS Accounting Standards. IFRS 18 is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted.

The Company is still currently assessing the impact that IFRS 18 will have on the presentation of and disclosures in the financial statements. The initial expected material impacts on the Company's financial statements are as follows:

- There will be changes in the structure and presentation of the statement of comprehensive income based on new defined subtotals; and
- New disclosures will be added for management-defined performance measures.

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 recognised 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.

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 recognised in the financial statements:

(i) Identification of CGUs

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

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment 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 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. 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 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.

(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.

Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

As at December 31, 2025, the total carrying amounts of decommissioning obligations are C\$2,005,974 (2024: C\$1,451,965).

(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 natural gas price, royalties' rate, operating costs, expected forecasted production volumes and estimated oil and gas reserve. The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate company and industry peer group weighted average cost of capital.

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.

As at December 31, 2025, the total net carrying amounts of non-financial assets comprised of E&E assets at C\$123,479 (2024: C\$3,884,950), PP&E at C\$16,228,650 (2024: C\$20,660,091) and right of use assets at C\$28,925 (2024: C\$196,945).

(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 recognised 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) *Income tax*

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 recognised 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 recognised 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, 2025 and 2024, the Company has not recorded any deferred tax assets or liabilities due to the uncertainty of future taxable profits.

6 SUMMARY OF FINANCIAL INSTRUMENTS 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, 2025	As at December 31, 2024
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash and cash equivalents	83,758	211,491
Accounts receivable	1,318,865	692,330
Deposits	73,227	74,318
	<u>1,475,850</u>	<u>978,139</u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Accounts payable and accrued liabilities	4,655,059	7,977,501
Long-term payable	31,035,457	20,696,153
Long-term debt	15,465,435	13,646,449
Convertible debentures – liability component	2,157,550	2,372,260
Other loans	400,215	–
<i>Financial liabilities measured at fair value:</i>		
Convertible debentures – derivative component	729,597	41,714
	<u>54,443,313</u>	<u>44,734,077</u>
Other financial liabilities:		
Lease liabilities	31,703	251,066

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

7 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

<i>C\$</i>	As at December 31, 2025	As at December 31, 2024
Deposits with banks and other financial institutions	81,753	209,486
Cash on hand	<u>2,005</u>	<u>2,005</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u><u>83,758</u></u>	<u><u>211,491</u></u>

Deposits with banks and other financial institutions carry interest at market rates which range from 0.00% to 0.05% (2024: Same) per annum.

Details of the balances denominated in a currency other than functional currency of the Company is disclosed in Note 27(c).

(b) Supplementary cash flows information

<i>C\$</i>	Year ended December 31,	
	2025	2024
Changes in working capital, net:		
Accounts receivable	(626,535)	133,633
Prepaid expenses and deposits	(379,176)	639,388
Accounts payable and accrued liabilities and long-term payable	<u>8,143,542</u>	<u>6,598,433</u>
	<u><u>7,137,831</u></u>	<u><u>7,371,454</u></u>

(c) **Reconciliation of liabilities arising from financing activities**

C\$	Lease liabilities <i>(Note 11(b))</i>	Shareholder loans <i>(Note 13(b))</i>	Term debt <i>(Note 13(a))</i>	Convertible debentures – liability component <i>(Note 13)</i>	Total
At January 1, 2024	991,914	11,370,713	3,711,826	–	16,074,453
Changes from financing cash flows:					
Proceeds from shareholder loans	–	87,000	–	–	87,000
Proceeds from issuance of convertible debentures	–	–	–	2,179,062	2,179,062
Interest paid	–	(583,594)	(254,380)	–	(837,974)
Principal repayment	(740,848)	(1,889,552)	(827,330)	–	(3,457,730)
Interest repayment of lease liabilities	(87,824)	–	–	–	(87,824)
	<u>(828,672)</u>	<u>(2,386,146)</u>	<u>(1,081,710)</u>	<u>2,179,062</u>	<u>(2,117,466)</u>
Changes from financing cash flows					
Other changes:					
Interest expenses	87,824	583,594	254,380	–	925,798
Exchange adjustments	–	690,253	301,954	112,858	1,105,065
Change in accrued and unpaid debt interests	–	172,364	75,409	126,865	374,638
Change in deferred financing costs related to term debt	–	–	53,565	–	53,565
Fair value adjustment	–	(13,911)	–	–	(13,911)
Fair value of derivative component of convertible debentures	–	–	–	(46,525)	(46,525)
Accretion expenses	–	(85,842)	–	–	(85,842)
	<u>87,824</u>	<u>1,346,458</u>	<u>685,308</u>	<u>193,198</u>	<u>2,312,788</u>
Other changes					
At December 31, 2024	<u><u>251,066</u></u>	<u><u>10,331,025</u></u>	<u><u>3,315,424</u></u>	<u><u>2,372,260</u></u>	<u><u>16,269,775</u></u>

C\$	Lease	Shareholder		Interest	Convertible	Other	Total
	liabilities (Note 11(b))	loans (Note 13(b))	Term debt (Note 13(a))	payable (Note 12)	liability component (Note 13)	loans (Note 15)	
At January 1, 2025	251,066	10,331,025	3,315,424	-	2,372,260	-	16,269,775
Changes from financing cash flows:							
Proceeds from shareholder loans	-	1,780,689	-	-	-	-	1,780,689
Proceeds from other loans	-	-	-	-	-	137,060	137,060
Interest paid	-	(59,172)	(25,888)	-	-	-	(85,060)
Principal repayment	(243,165)	(228,413)	(99,249)	-	-	-	(570,827)
Interest repayment of lease liabilities	(24,807)	-	-	-	-	-	(24,807)
	<u>(267,972)</u>	<u>1,493,104</u>	<u>(125,137)</u>	<u>-</u>	<u>-</u>	<u>137,060</u>	<u>1,237,055</u>
Changes from financing cash flows							
Other changes:							
Additions of lease liabilities	23,802	-	-	-	-	-	23,802
Transfer from convertible debentures	-	-	-	-	(263,155)	263,155	-
Transfer from other payable	-	-	-	-	2,114,801	-	2,114,801
Transfer to interest payable	-	-	-	12,410	-	(12,410)	-
Conversion of convertible debentures	-	-	-	-	(2,153,521)	-	(2,153,521)
Gain on conversion of convertible debentures	-	-	-	-	(40,041)	-	(40,041)
Interest expenses	24,807	59,172	25,888	-	472,150	12,410	594,427
Exchange adjustments	-	(354,017)	(154,882)	-	(145,124)	-	(654,023)
Change in accrued and unpaid debt interests	-	435,112	190,362	-	-	-	625,474
Change in deferred financing costs related to term debt	-	-	53,565	-	-	-	53,565
Fair value of derivative component of convertible debentures	-	-	-	-	(199,820)	-	(199,820)
Accretion expenses	-	195,819	-	-	-	-	195,819
	<u>48,609</u>	<u>336,086</u>	<u>114,933</u>	<u>12,410</u>	<u>(214,710)</u>	<u>263,155</u>	<u>560,483</u>
Other changes							
At December 31, 2025	<u>31,703</u>	<u>12,160,215</u>	<u>3,305,220</u>	<u>12,410</u>	<u>2,157,550</u>	<u>400,215</u>	<u>18,067,313</u>

8 ACCOUNTS RECEIVABLE

<i>C\$</i>	As at December 31, 2025	As at December 31, 2024
Trade receivables	1,318,865	691,842
Other receivables	<u>–</u>	<u>488</u>
Total	<u>1,318,865</u>	<u>692,330</u>

As at January 1, 2024, the gross amount of trade receivables from contract with customers amounted to C\$829,041.

Other receivables represented GST receivable which resulted from adjustments after the GST return was filed in the December 31 of the respective years.

(a) Aging analysis of trade receivables

The following is 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, at the end of the reporting period:

<i>C\$</i>	As at December 31, 2025	As at December 31, 2024
Within 1 month	1,318,780	691,622
1 to 3 months	85	158
Over 3 months	<u>–</u>	<u>62</u>
Total	<u>1,318,865</u>	<u>691,842</u>

Trade receivables are generally collected by the 25th day of the month following production.

(b) Impairment of accounts receivable

Impairment losses in respect of accounts receivable 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 accounts receivable directly.

No accounts receivable is considered individually nor collectively to be impaired, and no impairment loss has been recognised for the year ended December 31, 2025 (2024: Same). Details of impairment assessment of accounts receivable are set out in Note 27(a).

9 EXPLORATION AND EVALUATION ASSETS

C\$	As at December 31, 2025	As at December 31, 2024
Balance, beginning of the year	3,884,950	5,914,591
Additions	2,360	18,695
Net disposals	–	(1,900,000)
Write-offs (<i>Note 18</i>)	<u>(3,763,831)</u>	<u>(148,336)</u>
Balance, end of the year	<u><u>123,479</u></u>	<u><u>3,884,950</u></u>

Breakdown of net carrying amounts by CGUs:

C\$	As at December 31, 2025	As at December 31, 2024
Basing CGU	23,949	21,589
Voyager CGU	94,810	3,858,641
Dawson CGU	<u>4,720</u>	<u>4,720</u>
Total	<u><u>123,479</u></u>	<u><u>3,884,950</u></u>

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 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.

As at December 31, 2025, the Company's E&E assets in respect of its Basing, Voyager and Dawson cash generating units ("CGUs") were comprised solely of undeveloped lands in which the Company holds a right to explore for and produce petroleum and/or natural gas.

Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment (Note 18). As at December 31, 2025, no impairment was recognised in profit and loss (2024: Same).

For the years ended December 31, 2025 and 2024, there were no transfers to PP&E.

There was no disposal for the year ended December 31, 2025.

For the year ended December 31, 2024, the Company sold five sections of its non-producing Basing CGU's assets to an independent third party for a consideration of C\$1,900,000. The disposal was completed on April 1, 2024 and the Company derecognised the related assets and no gain or loss on the sale of the respective assets was recognised in the profit or loss for the year ended December 31, 2024.

For the year ended December 31, 2025, the Company wrote off C\$3,763,831 (2024: C\$148,336) of E&E assets attributable to land lease expired in Voyager CGU (2024: Dawson CGU) (Note 18).

10 PROPERTY, PLANT AND EQUIPMENT

C\$	Cost	Accumulated depletion, depreciation and impairment	Net carrying amounts
At January 1, 2024	170,549,237	(143,815,735)	26,733,502
Additions	101,002	–	101,002
Change in decommissioning obligations (Note 14)	(968,297)	–	(968,297)
Depletion and depreciation (Note 19)	–	(883,279)	(883,279)
Impairment/Write-offs (Note 18)	(3,036)	(4,319,801)	(4,322,837)
	<hr/>	<hr/>	<hr/>
At December 31, 2024 and January 1, 2025	169,678,906	(149,018,815)	20,660,091
Additions	331,090	–	331,090
Change in decommissioning obligations (Note 14)	525,109	–	525,109
Depletion and depreciation (Note 19)	–	(1,927,446)	(1,927,446)
Impairment (Note 18)	–	(3,360,194)	(3,360,194)
	<hr/>	<hr/>	<hr/>
At December 31, 2025	<u>170,535,105</u>	<u>(154,306,455)</u>	<u>16,228,650</u>

Breakdown of net carrying amounts by CGUs:

C\$	As at December 31, 2025	As at December 31, 2024
Basing CGU	15,390,354	17,787,516
Voyager CGU	522,680	2,611,586
Dawson CGU	311,945	254,872
Unallocated corporate assets	3,671	6,117
	<hr/>	<hr/>
Total	<u>16,228,650</u>	<u>20,660,091</u>

Substantially all of PP&E consists of development and production assets. During the years ended December 31, 2025 and 2024, the Company's PP&E additions were comprised of expenditures at Basing, Voyager and Dawson CGUs. Included in PP&E additions for the year ended December 31, 2025 are general and administrative expenses of approximately C\$0.1 million (2024: C\$0.1 million), which were capitalised in accordance with the Company's accounting policies.

As at December 31, 2025, certain physical PP&E with a cost of approximately C\$5.22 million (2024: C\$5.22 million) were pledged to secure the term debt granted to the Company as set out in Note 13.

Subsequent to the year ended December 31, 2025, the Company entered into a purchase and sale agreement with an independent third party for the sales of certain PP&E related to Dawson CGU for C\$0.50 million.

Depletion, depreciation, impairment and impairment recovery

Depletion and depreciation, impairment of PP&E, and any reversal thereof, are recognised as separate line items in the statement of comprehensive income. The depletion calculation for the year ended December 31, 2025 includes estimated future development costs of approximately C\$0.18 million (2024: C\$0.18 million) associated with the development of the Company's proved plus probable reserves. Impairment and impairment recovery are assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment and/or impairment recovery (Note 18).

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES

(a) Right of use assets

The right of use assets represented oil and gas production equipment, office space and vehicles. Lease contracts are entered into for fixed terms of 3 years (2024: 3 years to 6 years). There are no lease contracts that include variable lease payments.

C\$	Oil and gas production equipment	Office space	Vehicles	Total
At January 1, 2024	143,869	623,312	21,385	788,566
Amortisation (<i>Note 19</i>)	<u>(88,671)</u>	<u>(490,917)</u>	<u>(12,033)</u>	<u>(591,621)</u>
At December 31, 2024 and January 1, 2025	55,198	132,395	9,352	196,945
Additions	–	–	23,802	23,802
Amortisation (<i>Note 19</i>)	<u>(55,198)</u>	<u>(123,965)</u>	<u>(12,659)</u>	<u>(191,822)</u>
At December 31, 2025	<u>–</u>	<u>8,430</u>	<u>20,495</u>	<u>28,925</u>

Additions to the rights of use assets for the year ended December 31, 2025 amounted to C\$23,803 due to a new lease of vehicle in Canada (2024: no additions).

(b) Lease liabilities

C\$	Year ended December 31,	
	2025	2024
Within 1 year	18,549	240,520
After 1 year but within 2 years	8,247	10,546
After 2 years but within 5 years	4,907	–
	<u>31,703</u>	<u>251,066</u>
Analysed as:		
Current	18,549	240,520
Non-current	<u>13,154</u>	<u>10,546</u>

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which is ranging from 3.99% to 9.25% (2024: 5.90% to 12.00%) for the oil and gas production equipment, office space and vehicles.

(c) Amounts recognised in profit or loss

C\$	Year ended December 31,	
	2025	2024
Amortisation of right-of-use assets (<i>Note 19(a)</i>)	191,822	591,621
Interest on lease liabilities (<i>Note 22</i>)	24,807	87,824
Expense relating to short-term leases (<i>Note 19(a)</i>)	<u>363,650</u>	<u>274,924</u>
Total	<u>580,279</u>	<u>954,369</u>

(d) **Other**

Amounts included in the statement of cash flows for lease comprise the following:

C\$	Year ended December 31,	
	2025	2024
Within financing cash flows (<i>Note 7</i>): Payments of lease liabilities (both principal and interests)	267,972	828,672
Within operating cash flows: Expenses related to short-term leases	<u>363,650</u>	<u>274,924</u>
Total cash outflows for leases	<u>631,622</u>	<u>1,103,596</u>

The total cash outflows and liquidity analysis for lease liabilities are included in Notes 7 and 27(b), respectively.

Subsequent to the year ended December 31, 2025, the Company entered into a new lease agreement for office space for a fixed term of 3 years.

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

C\$	As at December 31, 2025	As at December 31, 2024
Trade payables (<i>Note (a)</i>)	1,401,062	2,233,327
Accrued liabilities (<i>Note (b)</i>)	<u>2,331,437</u>	<u>1,281,133</u>
Total trade payables and accrued liabilities	3,732,499	3,514,460
Capital payables (<i>Note (c)</i>)	1,254,849	2,788,265
Interest payables (<i>Note (d)</i>)	12,410	–
Other payables (<i>Note (e)</i>)	<u>961,563</u>	<u>2,586,764</u>
Total	<u>5,961,321</u>	<u>8,889,489</u>

All trade payables, accrued liabilities, capital payables, interest payables and other payables are expected to be settled within one year or are payable on demand.

Notes:

- (a) Trade payables

Aging analysis of trade payables

The following is the aging analysis of trade payables based on invoice date at the end of the reporting period:

C\$	As at December 31, 2025	As at December 31, 2024
Within 1 month	229,736	617,981
1 to 3 months	299,704	305,839
4 to 12 months	373,987	982,500
1 to 2 years	367,573	247,148
Over 2 years	130,062	79,859
Total	1,401,062	2,233,327

The average credit period granted by its suppliers of 30 to 90 days. The Company has financial risk management in place to ensure that all payables are settled within the credit timeframe.

- (b) As at December 31, 2025 and 2024, accrued liabilities primarily consist of accrued professional fees and operating costs.
- (c) As at December 31, 2025 and 2024, capital payables are primarily comprised of costs incurred for the drilling in 2022, optimising production in the Voyager CGU and costs incurred pursuant to the Contract (as defined below). 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. As at December 31, 2025, the outstanding balance included in capital payables is approximately C\$0.71 million (2024: approximately C\$2.21 million) in respect of the Contract. The outstanding balances are unsecured.

Legal claims have been brought against the Company by certain vendors related to the capital payables abovementioned during the year ended December 31, 2023, where the Company has reached a preliminary accommodation for the said legal claims and all expected legal, settlement, and other fees have been accrued accordingly in the same year. Except for the outstanding balance as mentioned above, 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, 2025. Subsequent to the year ended December 31, 2025, the outstanding balance in related to the aforementioned legal claims has been fully settled.

As at December 31, 2025, no material legal claims have been brought against the Company (2024: Same).

- (d) As at December 31, 2025, the interest payables were arised from other loans of a total of C\$400,215 (Note 15) (2024: Nil).
- (e) As at December 31, 2025, included in other payables, a proceed of C\$0.50 million received prior to the signing of the agreement of sales of PP&E on January 14, 2026 (Note 10).

While the remainder of other payables included approximately C\$0.39 million (2024: C\$0.44 million) owed pursuant to the Company's Phantom Unit Plan (Note 19), and office renovation and rent inducement expenditures.

As at December 31, 2024, other payables included approximately C\$2.11 million for convertible debentures proceeds received prior to the signing of the agreement on March 19, 2025. Such amount was transferred to convertible debentures (Note 13) on the agreement date.

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

Long-term debt

As at December 31, 2025 and 2024, the balances related to the shareholder loans and term debt are as follows:

C\$	As at December 31, 2025	As at December 31, 2024
Shareholder loans (<i>Note (b)</i>)	12,160,215	10,331,025
Term debt (<i>Note (a)</i>)	3,372,176	3,435,945
Less: deferred financing costs related to term debt	<u>(66,956)</u>	<u>(120,521)</u>
Total	<u>15,465,435</u>	<u>13,646,449</u>
Analysed as:		
Current	15,465,435	4,544,566
Non-current	<u>–</u>	<u>9,101,883</u>

(a) **Term debt**

On March 27, 2023, the Company obtained new long-term debt of US\$3.50 million (equivalent to approximately C\$4.80 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 (Note 10) and a personal guarantee from Yongtan Liu, the Company’s executive director. The Company will be required to make monthly interest and principal payments of US\$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 Energy Canada Ltd (“**Jixing**”), which have been approved by CIMC Leasing USA, Inc. as part of the CIMC Loan agreement.

Yongtan Liu and/or interests under his control, have loans with CIMC Capital (China), the parent company of CIMC Leasing USA, Inc. (“**CIMC USA**”). In the event there is a default with the existing loans of Yongtan Liu and/or interests under his control, it will trigger a default of the CIMC Loan and Jixing Loan (as defined below), and the outstanding balances will immediately become due.

On November 25, 2024, CIMC USA, 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 (as defined in Note 13(b)) will be considered in default and repayable on demand. During the year ended December 31, 2025, the Company made one repayment of interest of C\$25,888 and principal payment of C\$99,249.

As at December 31, 2025, there are fourteen months (2024: three months) of interests together with principal payments on Jixing Loan of approximately C\$3.84 million (equivalent to approximately US\$2.80 million) (2024: C\$0.86 million (equivalent to approximately US\$0.60 million)) and on the CIMC Loan of approximately C\$1.68 million (equivalent to approximately US\$1.23 million) (2024: C\$0.38 million (equivalent to approximately US\$0.26 million)), in arrears.

As of the date of this announcement, the Company is still negotiating with CIMC USA on revising the loan agreement and repayment terms, as such the entire balance of the CIMC Loan and Jixing Loan have been classified as current.

(b) Shareholder loans

C\$	As at December 31, 2025	As at December 31, 2024
2019 Shareholder Loan	635,846	586,969
2020 Shareholder Loan	1,949,430	1,809,208
Jixing Loan	7,707,830	7,855,148
2024 Shareholder Loan	86,420	79,700
2025 Shareholder Loan	1,780,689	–
Total	12,160,215	10,331,025

On December 23, 2019, Jixing, a private Canadian company indirectly controlled by Yongtan Liu, an executive director of the Company and beneficial owner of Jixing Gas Holding Limited which is a shareholder of the Company, advanced approximately C\$0.68 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 (Note 12(c)). 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 approximately C\$0.61 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 approximately C\$0.07 million was recorded to contributed surplus (Note 16(d)) on the same day. 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 further 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. As at December 31, 2025, the entire balance has been classified as current.

On June 2, 2020, Yongtan Liu, an executive director of the Company and beneficial owner of Jixing Gas Holding Limited which is a shareholder of the Company, advanced C\$2.00 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 approximately C\$1.84 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 approximately C\$0.16 million was recorded to contributed surplus (Note 16(d)) on the same day. 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 2020 Shareholder Loan to June 2, 2025. On December 31, 2024, the Company and the director agreed to further extend the term of the 2020 Shareholder Loan to June 2, 2026. As at December 31, 2025, the entire balance has been classified as current.

On March 27, 2023, the Company received a loan from Jixing (the “**Jixing Loan**”) for US\$8.00 million (equivalent to approximately C\$10.98 million). The Jixing Loan has a term of 48 months, bears interest of 9.25% per annum and unsecured. The Company will be required to make monthly interest and principal payments of US\$200,031 beginning on April 27, 2023. During the year ended December 31, 2025, the Company has made one repayment of interest of C\$59,172 and principal payment of C\$228,413. As at December 31, 2025, the outstanding balance together with accrued interest of the Jixing Loan was approximately C\$7.71 million (equivalent to approximately US\$5.62 million) (2024: C\$7.86 million (equivalent to approximately US\$5.46 million)). Such Jixing Loan was linked with CIMC Loan as set out in Note 13(a).

On February 9, 2024, Jixing advanced approximately 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 approximately 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 approximately C\$0.01 million was recorded to contributed surplus (Note 16 (d)) during the year ended December 31, 2024. As at December 31, 2025, the entire balance has been classified as current.

During the year ended December 31, 2025, the Company received a total of approximately C\$1.78 million of funds from Jixing (the “**2025 Shareholder Loan**”). The 2025 Shareholder loan is interest-free, unsecured and had no fixed terms of repayment. As such, the balance has been classified as current as at December 31, 2025.

On October 31, 2025, the Company, Jixing and Yongtan Liu has entered into the loan capitalisation agreement (the “**Loan Capitalisation Agreement**”), pursuant to which the parties thereto have agreed that the (i) aggregated amount of C\$3,838,150 due from the Company to Yongtan Liu and/or Jixing as at the date of the Loan Capitalisation Agreement will be settled in full; and (ii) C\$7,494,290 out of the C\$33,157,678 long-term payable by the Company to Jixing will be settled, through the allotment and issue of 210,000,000 new common shares at HK\$0.30 per common share to Yongtan Liu.

Upon the completion of the allotment and issuance of common shares on March 2, 2026, in relation to the abovementioned Loan Capitalisation Agreement, the 2019 Shareholder Loan, 2020 Shareholder Loan, 2024 Shareholder Loan and partial of the 2025 Shareholder Loan amounting to C\$3,838,150 in aggregate will be settled in full by common shares.

Details are set out in the announcements of the Company dated November 3, 2025, January 29, 2026 and March 2, 2026.

Long-term payable

C\$	As at December 31, 2025	As at December 31, 2024
Balance, beginning of the year	20,696,153	13,286,657
Additions	9,932,572	8,207,778
Fair value adjustments to contributed surplus (Note 16(d))	(1,400,190)	(1,762,189)
Less: Repayments	(462,000)	(523,000)
Accretion expenses (Note 22)	2,268,922	1,486,907
	<u>31,035,457</u>	<u>20,696,153</u>
Balance, end of the year		
Analysed as:		
Current	7,382,579	644,112
Non-current	<u>23,652,878</u>	<u>20,052,041</u>

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, 2025, the Company incurred an additional cost inclusive of GST of approximately C\$9.93 million (2024: C\$8.21 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.

Adjustments of approximately C\$1.40 million (2024: C\$1.76 million) was recognised in contributed surplus (Note 16(d)) for the year ended December 31, 2025 for the fair value of additions of the long-term payable during the year ended December 31, 2025.

In determining the fair value of the Jixing GHCA for the year ended December 31, 2025, the Company applied an effective rate of 9.43% to 9.69% (2024: 9.19% to 9.43%).

The Company possesses an unconditional right to postpone the settlement of payable amounts owed to the Jixing. 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.

As at December 31, 2025, the management of the Company classified the amount of approximately C\$7.38 million in the current portion of the long-term payable to reflect the portion that will be settled through Loan Capitalisation Agreement as discussed in Note 13(b) (2024: approximately C\$0.64 million of the portion of Company's anticipated payments to Jixing).

Subsequent to the year ended December 31, 2025, the Company has entered into Amendments to Jixing GHCA (as defined in Note 26(b)) regarding the deferred of gas handling and gas compression charges (Note 26(b)).

Convertible debentures

The movement of the liability and derivative components of the convertible debentures for the years is set out below:

	Liability component	Derivative component
	C\$	C\$
As at January 1, 2024	–	–
Proceeds from issuance of convertible debentures	2,179,062	–
Fair value of the derivative component recognised at the issue date	(46,525)	46,525
Interest expenses (<i>Note 22</i>)	112,858	–
Change in fair value recognised in the profit or loss	–	(6,490)
Exchange adjustments	126,865	1,679
	<hr/>	<hr/>
As at December 31, 2024 and January 1, 2025	2,372,260	41,714
Transfer from other payable (<i>Note 12(e)</i>)	2,114,801	–
Fair value of the derivative component recognised at the issue date	(199,820)	199,820
Conversion of convertible debentures	(2,153,521)	(40,041)
Transfer to other loan (<i>Note 15</i>)	(263,155)	–
Interest expenses (<i>Note 22</i>)	472,150	–
Change in fair value recognised in the profit or loss	–	538,425
Gain on conversion of convertible debentures	(40,041)	–
Exchange adjustments	(145,124)	(10,321)
	<hr/>	<hr/>
As at December 31, 2025	<u>2,157,550</u>	<u>729,597</u>

References are made to the Company's announcements dated July 25, 2024, July 26, 2024, April 11, 2025 and May 14, 2025.

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for US\$1.60 million (equivalent to approximately C\$2.18 million), bearing interest of 12% per annum payable monthly, and matures on July 24, 2025 (the “**July Debenture**”). The Company can repay, at its sole discretion, the July Debenture in full or part upon maturity including accrued and unpaid interest, in cash or with common shares at a deemed price of HK\$0.20 per common share or one common share for each US\$0.02558 of the July Debenture outstanding including accrued and unpaid interest.

The July Debenture due in 2025 contains two components, liability component and derivative component (including conversion option). Upon initial recognition, the fair value of July Debenture liability component was approximately US\$1.57 million (equivalent to approximately C\$2.13 million) and the fair value of derivative component is approximately US\$0.03 million (equivalent to approximately C\$0.05 million).

The fair value of derivative component of July Debenture as at initial measurement and December 31, 2024 have been determined on the basis of a valuation carried out by the management of the Company. A fair value gain of C\$6,490 recognised in the profit or loss during the year ended December 31, 2024. The key inputs used in the model are disclosed in Note 27(f). The share price as at December 31, 2024 was HK\$0.19.

Upon maturity of July Debenture, the Company issued 62,548,866 common shares to convert the principal portion of the July Debenture of US\$1.60 million (equivalent to approximately C\$2.18 million). On the same day, the Company entered into a loan agreement with the lender to transfer the accrued and unpaid interest of approximately US\$0.19 million (equivalent to approximately C\$0.26 million) as other loan (Note 15).

On March 19, 2025, the Company entered into a convertible debenture agreement with an independent third party for approximately US\$1.52 million (equivalent to approximately C\$2.11 million), bearing interest of 9% per annum payable monthly and maturing on December 10, 2025 (the “**December Debenture**”). The Company can repay, with mutual agreement of the lender, the December Debenture in full or part upon maturity including accrued and unpaid interest, in cash or with common shares at a deemed price of HK\$0.20 per common share or one common share for each US\$0.02571 of the December Debenture outstanding including accrued and unpaid interest.

Upon initial recognition, the fair value of December Debenture liability component was approximately US\$1.38 million (equivalent to approximately C\$1.91 million) and the fair value of derivative component is approximately US\$0.14 million (equivalent to approximately C\$0.20 million).

Due to certain administrative procedures, the conversion of December Debentures did not commence on the maturity date.

The fair value of derivative component of December Debenture as at initial measurement and December 31, 2025 have been determined on the basis of a valuation carried out by the management of the Company. A fair value loss of C\$538,425 recognised in the profit or loss during the year ended December 31, 2025. The key inputs used in the model are disclosed in Note 27(f). The share price as at December 31, 2025 was HK\$0.28.

Subsequently on March 2, 2026, the Company issued 42,028,438 common shares to convert part of the principal portion of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million). The Company also entered into a other loan agreement with the lender to transfer the remaining principal of approximately US\$0.44 million (equivalent to approximately C\$0.60 million) and accrued and unpaid interest of approximately US\$0.10 million (equivalent to approximately C\$0.14 million) as other loan.

Fair value measurement

The fair value of the derivative component of July Debenture on initial recognition and at the end of the reporting period were determined with reference to a valuation performed by the management of the Company, with significant unobservable inputs and therefore were classified as level 3 of the fair value hierarchy. The key inputs apply to the valuation models on the derivative component were as follows:

	As at July 24, 2024	As at December 31, 2024
Risk free rate	3.18%	3.18%
Volatility	284.83%	284.83%
Dividend yield	0%	0%

The fair value of the derivative component of December Debenture on initial recognition and at the end of the reporting period were determined with reference to a valuation performed by the management of the Company, with significant unobservable inputs and therefore were classified as level 3 of the fair value hierarchy. The key inputs apply to the valuation models on the derivative component were as follows:

	As at March 19, 2025	As at December 31, 2025
Risk free rate	4.23%	4.16%
Volatility	103.40%	123.35%
Dividend yield	0%	0%

The fair value of liability component is measured as the difference between the principal amount to be received and the fair value of derivative component.

Details of fair value measurement are further set out in Note 27(f).

14 DECOMMISSIONING LIABILITIES

C\$	As at December 31, 2025	As at December 31, 2024
Balance, beginning of the year	1,451,965	2,372,611
Effect of changes in estimates (<i>Note 10</i>)	525,109	(968,297)
Accretion expense (<i>Note 22</i>)	<u>28,900</u>	<u>47,651</u>
Balance, end of the year	<u>2,005,974</u>	<u>1,451,965</u>
Analysed as:		
Current	881,448	691,448
Non-current	<u>1,124,526</u>	<u>760,517</u>

The total future decommissioning obligations were estimated based on the Company's net ownership interests 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, 2025, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C\$2.30 million (2024: C\$1.55 million) which will be incurred between 2026 and 2046 (2024: between 2025 and 2072). The majority of these costs were estimated to be incurred by 2029 (2024: 2050). As at December 31, 2025, an annual risk-free rate of 3.80% (2024: 3.32%) and an inflation rate of 2.10% (2024: 3.32%) per annum were used to estimate the decommissioning costs to reclaim and abandon the facilities in future years.

15 OTHER LOANS

C\$	As at December 31, 2025	As at December 31, 2024
Other loans	<u>400,215</u>	<u>–</u>

On November 25, 2025, the Company entered into a short-term loan agreement of US\$0.10 million (equivalent to approximately C\$0.14 million) with an independent third party, which is unsecured, interest bearing at 15% per annum, guaranteed by Mr. Yongtan Liu and repayable on May 25, 2026.

During the year ended December 31, 2025, the unpaid interests under the July Debenture which were matured and converted, were transferred into other loan at principal amount of approximately US\$0.19 million (equivalent to approximately C\$0.26 million), which is unsecured, interest bearing at 9% per annum and repayable on December 10, 2026.

Subsequent to the year ended December 31, 2025, the remaining part of the principal of December Debenture and the respective accrued and unpaid interest were transferred as other loan at a total principal amount of approximately US\$534,343, which is unsecured, interest bearing at 9% per annum and repayable on December 10, 2026.

Details of the balances denominated in currency other than functional currency of the Company is disclosed in Note 27(c).

16 SHARE CAPITAL

(a) Authorised:

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

(b) Issued:

	Common Shares	Amount C\$
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)
	<hr/>	<hr/>
At December 31, 2024 and January 1, 2025	522,886,520	222,417,603
Shares issued for cash	31,828,773	1,964,139
Allocation to contributed surplus for shares issued above/below market value, net	–	2,707,078
Share issue costs	–	(17,159)
Conversion of convertible debentures	62,548,866	2,193,562
	<hr/>	<hr/>
At December 31, 2025	<u>617,264,159</u>	<u>229,265,223</u>

On October 10, 2025, the Company entered into private placement subscription agreement to issue approximately 11.16 million common shares at a price of HK\$0.31 per common share for gross proceeds of approximately HK\$3.46 million (equivalent to approximately C\$0.62 million). Such subscription was completed on November 3, 2025. At closing, the market price of the Company's common shares was HK\$0.325 and the HK\$0.015 per share discount to market value, totaling approximately C\$0.03 million (equivalent to approximately HK\$0.17 million) was allocated to contributed surplus (Note 16(d)).

On September 5, 2025, the Company entered into private placement subscription agreement to issue approximately 12.89 million common shares at a price of HK\$0.33 per common share for gross proceeds of approximately HK\$4.25 million (equivalent to approximately C\$0.75 million). Such subscription was completed on September 19, 2025. At closing, the market price of the Company's common shares was HK\$0.38 and the HK\$0.050 per share discount to market value, totaling approximately C\$0.11 million (equivalent to approximately HK\$0.64 million) was allocated to contributed surplus (Note 16(d)).

On August 14, 2025, the Company entered into private placement subscription agreement to issue approximately 7.78 million common shares at a price of HK\$0.436 per common share for gross proceeds of approximately HK\$3.39 million (equivalent to approximately C\$0.59 million). Such subscription was completed on September 19, 2025. At closing, the market price of the Company's common shares was HK\$0.38 and the HK\$0.056 per share in excess of market value, totaling approximately C\$0.08 million (equivalent to approximately HK\$0.44 million) was allocated to contributed surplus (Note 16(d)).

On August 1, 2025, upon maturity of the convertible debenture, the principal amount of US\$1.60 million (equivalent to approximately C\$2.18 million) was converted into common shares of the Company at a conversion price of HK\$0.20 (equivalent to US\$0.02558) per common share in accordance with the terms of the agreement. At closing, the market price of the Company's common shares was HK\$0.44, and the HK\$0.240 per share discount to market value, totaling approximately C\$2.64 million (equivalent to approximately HK\$15.01 million), was allocated to contributed surplus (Note 16(d)).

On March 14, 2024, the Company entered into private placement subscription agreements to issue 33.00 million common shares at a price of HK\$0.22 per common share for gross proceeds of approximately HK\$7.26 million (equivalent to approximately C\$1.26 million). Such subscription was completed on May 29, 2024. 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 approximately C\$0.19 million (equivalent to approximately HK\$1.06 million) was allocated to contributed surplus (Note 16(d)).

On November 20, 2023, the Company entered into private placement subscription agreements to issue 30.00 million common shares at a price of HK\$0.24 per common share for gross proceeds of approximately HK\$7.20 million (equivalent to approximately C\$1.28 million). As at December 31, 2023, the Company received approximately C\$1.28 million which was classified as other payables. On February 8, 2024, the Company completed the placing by issuing 30.00 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 approximately C\$0.12 million (equivalent to approximately HK\$0.72 million) was allocated to contributed surplus (Note 16(d)).

(c) Share options and share-based expenses:

The Company has a share option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (the “**Option Plan**”).

Particulars of the Option Plan are set out below:

Purpose of the Option Plan

The purpose of the Option Plan is to provide certain directors, officers, employees and consultants (the “**Participants**”) with an opportunity to purchase common shares and benefit from the appreciation thereof. This will provide an increased incentive for the Participants to contribute to the future success and prosperity of the Company, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Company to attract and retain individuals of exceptional skill.

Participants of the Option Plan

The Board may, at its absolute discretion, invite any person belonging to any of the following classes of persons of the Company, to be a Participant of this Option Plan and to take up an option to subscribe for the common shares, i.e. any full-time or part-time employee of the Company, any consultant or adviser of the Company and any director (including executive, non-executive or independent non-executive directors) or officers of the Company and for the purposes of the Plan, the Options may be granted to any company wholly owned by one or more persons belonging to any of the aforementioned classes of Participants.

Total number of shares available for issue under 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.

Maximum entitlement of participants

The aggregate number of common shares reserved for issuance pursuant to options granted to any one Participant 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 a Participant would result in the Common Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (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 Shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his close associates abstaining from voting, and the number and terms of options to be granted to such Participant must be fixed before the shareholders’ approval.

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.

Basis of determining the exercise price of the option

The exercise price for Option under the Option Plan shall be a price determined by the board of directors, but in any case shall be at least the higher of: (i) the closing price of the common shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day; and (ii) the average closing prices of the Common Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date.

Remaining life of the Option Plan

The Option Plan shall be valid and effective for a period of 10 years from the date of adoption (i.e. June 8, 2018 and ending on June 7, 2028), after which no further options will be granted but the provisions of the Option Plan shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to otherwise as may be required in accordance with the provision of the Option Plan.

The Company granted 3,780,000 options to directors and employees with an exercise price of HK\$0.52 per option and a term of 5 years on May 18, 2020.

The Company further granted 800,200 options to employees with an exercise price of HK\$0.48 per option and a term of 5 years on November 30, 2022.

Details of share options granted under the Option Plan are as follows:

	Share options by grant date November 30, 2022	Share options by grant date May 18, 2020
Number of common shares issued upon exercise:		
– Directors	–	2,640,000
– Employees	800,200	1,140,000
	<hr/>	<hr/>
Total	800,200	3,780,000
	<hr/> <hr/>	<hr/> <hr/>

Options granted generally 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.

In the event the grantee ceases to be the participants, the share options granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

Details of the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

For the year ended December 31, 2025:

Grant date	Exercise price per share option	As at 1 January 2025	Number of share options			As at December 31, 2025
			Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	
May 18, 2020						
Director	HK\$0.52	1,140,000	-	-	(1,140,000)	-
Employees	HK\$0.52	1,140,000	-	-	(1,140,000)	-
November 30, 2022						
Employees	HK\$0.48	800,200	-	-	(800,200)	-
		3,080,200	-	-	(3,080,200)	-
Exercisable at the end of the year						-
Weighted average exercise price on outstanding options						-

For the year ended December 31, 2024:

Grant date	Exercise price per share option	As at 1 January 2024	Number of share options			As at December 31, 2024
			Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	
May 18, 2020						
Directors	HK\$0.52	2,640,000	–	–	(1,500,000)	1,140,000
Employees	HK\$0.52	1,140,000	–	–	–	1,140,000
November 30, 2022						
Employees	HK\$0.48	800,200	–	–	–	800,200
		<u>4,580,200</u>	<u>–</u>	<u>–</u>	<u>(1,500,000)</u>	<u>3,080,200</u>
Exercisable at the end of the year						2,813,467
Weighted average exercise price on outstanding options						0.51

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted.

The estimated fair values of the options granted on May 18, 2020 and November 30, 2022 are C\$0.08 and C\$0.08 respectively.

There is no new share option granted during the years ended December 31, 2025 and 2024.

During the year ended December 31, 2025, share-based expenses of C\$5,927 (2024: C\$16,004) for the share options was recognised in the profit or loss with a corresponding credit in the contributed surplus (Note 16(d)).

No share options are exercised during the year ended December 31, 2025 (2024: Nil). At the time when the share options are subsequently exercised, the amount previously recognised in contributed surplus will be transferred to share capital and share premium.

When the share options are lapsed/forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the contribution surplus will be transferred to accumulated deficit. During the year ended December 31, 2025, 800,200 share options forfeited due to resignation of the grantee during the vesting period and 2,280,000 share options lapsed as they were not exercised at the expire dates, the amount of C\$366,416 (2024: Nil) was transferred from contributed surplus to accumulated deficit accordingly.

(d) Contributed surplus:

As at December 31, 2025 and 2024, contributed surplus is comprised of the fair value adjustment to long-term payable (Note 13), difference between the deemed fair value and gross value of the Shareholder Loans (Note 13(a)) at the date of initial recognition, share-based expenses recognised when vested (Note c above) during the year, forfeiture or lapsed of unexercised options, and the allocation of shares issued during the year in excess of or discount to market value.

17 SEGMENT INFORMATION, REVENUE AND OTHER INCOME

Segment information

The Company's Chief Executive Officer (chief operating decision maker ("CODM")) 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 CODM 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, 2025 and 2024.

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, 2025 and 2024, 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 rent inducement.

Revenue and other income summary

C\$	Year ended December 31,	
	2025	2024
Revenue from contract with customers within the scope of IFRS 15, recognised at a point in time		
Commodity sales from production		
Natural gas, natural gas liquids and condensate	6,480,085	3,840,586
Crude oil	921,413	1,127,507
Total commodity sales from production	<u>7,401,498</u>	<u>4,968,093</u>
Trading revenue		
Natural gas trading revenue	27,297	58,235
Natural gas trading cost	(23,713)	(56,576)
Total trading revenue	<u>3,584</u>	<u>1,659</u>
Other income	<u>4,857</u>	<u>19,507</u>

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 realised 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.

As December 31, 2025, the Company has applied the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to performance obligations that were unsatisfied to the above contracts as all contracts that had an original expected duration of one year or less.

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

Information about major customers

Revenue from customers contributing over 10% of the total revenue, before royalty, of the Company is as follows:

C\$	Year ended December 31,	
	2025	2024
Customer A	5,268,759	3,063,570
Customer B	909,790	910,821
Customer C	N/A*	806,785
Customer D	1,150,834	N/A*

* The corresponding revenue from the customer is not disclosed as such revenue alone did not account for 10% or more of the Company's revenue

For the year ended December 31, 2025, Customer A, Customer B and Customer D contributed 71%, 12% and 16% of the Company's revenue respectively. Four largest customers in aggregate contributed to 100% of the Company's revenue.

For the year ended December 31, 2024, Customer A, Customer B and Customer C contributed 62%, 18% and 16% of the Company's revenue respectively. Five largest customers in aggregate contributed to 100% of the Company's revenue.

To the best knowledge of the directors of the Company, neither the directors of the Company, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Company's five largest customers for the years ended December 31, 2025 and 2024.

Information about geographical area

As all of the Company's revenue is derived from the customers based in the Canada (country of domicile) and all of the Company's non-current assets are located in Canada, no geographical information is presented.

18 IMPAIRMENT LOSSES AND WRITE-OFFS

C\$	Year ended December 31,	
	2025	2024
E&E assets write-offs (Note 9)	3,763,831	148,336
PP&E write-offs (Note 10)	–	3,036
PP&E impairment (Note 10)	3,360,194	4,319,801
Total	7,124,025	4,471,173

For the purpose of impairment assessment, the recoverable amount of PP&E was determined using judgement and internal estimates. Where a non-financial asset does not generate largely independent cash inflows, the Company is required to perform its test at CGU basis, which is the smallest identifiable grouping of assets that generates largely independent cash inflows. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality. 3 CGUs have been identified in the Company, which are Basing, Voyager and Dawson CGU.

For impairment testing, PP&E (development and production assets) and E&E assets are aggregated into CGUs, based on management's judgement.

The recoverable amounts of each CGU are estimated at the higher of value in use or fair value less costs of disposal ("FVLCD"). In each case, FVLCD was used. Recoverable amount was based on the FVLCD model, which is calculated using the CGUs' expected future cash flows, with reference to cash flow forecast provided by management of Company, which derived from a report on the Company's oil and gas reserves which was prepared by an independent qualified reserve evaluator, GLJ Ltd. ("GLJ"). As at December 31, 2025 and 2024, the projected cash flows used in the FVLCD calculation reflect market assessments of key assumptions, including long-term forecasts of commodity prices. The cash flow forecasts also based on GLJ's evaluation of the Company's reserves and resources to determine expected forecasted production volumes and estimated oil and gas reserves, royalties' rate and operating costs. Future cash flow estimates are discounted using before-tax discount rates which was 10% and 12%, respectively. Such estimation is also based on the past performance of each CGU and management's expectations.

The estimation of the recoverable amount is within the Level 3 hierarchy of IFRS 13.

E&E write-offs

E&E write-offs consist of land lease expired in the Voyager CGU (2024: Dawson CGU) incurred during the year ended December 31, 2025.

E&E impairment

At December 31, 2025, the Company assessed the indicators of impairment in its E&E assets in all CGUs, and after performing additional assessments by management based on the nature of the E&E assets, no impairment was recognised (2024: Same).

PP&E impairment

At December 31, 2025, the Company identified indicators of impairment and/or impairment recovery in its PP&E in the Basing, Voyager and Dawson CGU's attributable to changes in commodity prices and well performance (2024: Same).

For the year ended December 31, 2025, the carrying amount of the Dawson CGU was lower than its recoverable amount (2024: Same). No impairment recovery was recorded for the Dawson CGU as there were no prior period impairments remaining for Dawson (2024: Same).

The Company calculated the recoverable amount of the Basing and Voyager CGUs' 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 derived from the reserve report of GLJ (2024: Same).

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

	As at December 31, 2025	
	Edmonton Oil	AECO Gas
	<i>(C\$/Bbl)</i>	<i>(C\$/mmbtu)</i>
2026	77.54	3.00
2027	83.60	3.30
2028	90.18	3.49
2029	92.32	3.58
2030	94.17	3.65
2031	96.06	3.72
2032	97.98	3.80
2033	99.93	3.88
2034	101.93	3.95
2035	103.97	4.03
2036	106.05	4.11
2037	108.17	4.20
2038	110.34	4.28
2039	112.54	4.36
2040	114.79	4.45
2041 ⁽¹⁾	<u>+2.0%/yr</u>	<u>+2.0%/yr</u>

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

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

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

The following table summarises the recoverable amount and impairment of the Basing and Voyager CGUs at December 31, 2025 and demonstrates the sensitivity of the estimated recoverable amount with respect to reasonably possible changes in key assumptions inherent in the estimates. A positive number below indicates an increase in recoverable amount where prices inherent in the estimates increase or discount rate decrease, and vice versa.

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
As at December 31, 2025					
Basing CGU	14,519,902	1,048,491	393,000	225,000	2,529,000
Voyager CGU	<u>-</u>	<u>2,311,703</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>
As at December 31, 2024					
Basing CGU	17,176,962	4,119,361	713,000	219,000	2,469,000
Voyager CGU	<u>2,303,111</u>	<u>200,440</u>	<u>101,000</u>	<u>61,000</u>	<u>417,000</u>

* No significant change in the estimated recoverable amount.

19 LOSS BEFORE TAX

C\$	Year ended December 31,	
	2025	2024
Loss before tax has been arrived at after charging:		
Directors' emoluments (<i>Note 20</i>)	338,197	728,308
Salaries, wages and other benefits (exclusive of directors' emoluments (<i>Note 20</i>)) (<i>Note</i>)	262,633	449,783
Severance	400,000	–
Share-based expenses (<i>Note 16 (c)</i>)	5,927	16,004
Contribution to retirement benefits scheme benefits (exclusive of directors' emoluments (<i>Note 20</i>))	10,296	9,314
	<hr/>	<hr/>
Total staff costs (<i>Note</i>)	1,017,053	1,203,409
	<hr/>	<hr/>
Auditor's remuneration	248,000	248,000
Depletion and depreciation of PP&E (<i>Note 10</i>)	1,927,446	883,279
Amortisation of right of use assets (<i>Note 11(a)</i>)	191,822	591,621
Gas transportation charges (included in operating expenses)	3,160,025	2,875,768
Gas gathering and processing charges (included in operating expenses)	10,981,591	8,777,658
Expenses related to short-term leases (<i>Note 11(c)</i>)	363,650	274,924
	<hr/> <hr/>	<hr/> <hr/>

Note:

Total staff costs of approximately C\$0.1 million (2024: C\$0.1 million) and C\$0.9 million (2024: C\$1.1 million) has been capitalised in PP&E and charged to general and administrative expenses, respectively for the year ended December 31, 2025.

The Company's remuneration and bonus policies are determined by the performance of individual employees. The emoluments 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, 2025, the Company recovered salary expenditures of approximately C\$0.05 million (2024: C\$0.15 million) pursuant to the Jixing GHCA as disclosed in Note 26(b). For the year ended December 31, 2025, the Company incurred a severance cost of approximately C\$0.40 million upon resignation of the one key management personnel.

For the year ended December 31, 2024, the Company incurred a severance cost for director of approximately C\$0.39 million which was offset by the temporary adjustment foregone upon resignation of approximately C\$0.04 million to total approximately C\$0.35 million.

Pension, Retirement or Similar Benefit Plans

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

Phantom Unit Plan for independent non-executive directors

The Company has in place a phantom unit plan for its independent non-executive directors effective March 10, 2017 and applied retrospectively started from February 26, 2016 (the “**Phantom Unit Plan**”). In order for the eligible directors to receive the phantom units issued under the Phantom Unit Plan (the “**Phantom Units**”), they need to complete a participation form prior to the commencement of each fee period (i.e. twelve-month period commencing January 1 and ending on December 31). Since 2016, all independent non-executive directors agreed to receive 60% of their C\$100,000 annual fee (“**Independent Directors’ Fee**”) in the form of phantom units, and the remainder in cash. There were no new appointed independent non-executive directors join the Phantom Unit Plan since 2023.

There was only one independent non-executive director, who 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, until his resignation in December 2024.

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 year ended December 31, 2024, 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, 2025, no expenses on directors’ compensation per the Phantom Unit Plan (2024: approximately C\$0.02 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 approximately C\$0.14 million. 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, 2025, the remaining cash value of the Phantom Units was approximately C\$0.39 million (2024: C\$0.44 million) and has been recorded as other payable.

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:

Year ended		Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to retirement benefits scheme	Share-based expenses and phantom unit changes	Total emoluments
December 31, 2025	Directors' fees					
C\$						
<i>Executive directors</i>						
Pingzai Wang ¹	-	-	-	-	-	-
Yongtan Liu ²	-	-	-	-	-	-
Binyou Dai ³	-	212,500	-	4,430	-	216,930
<i>Independent non-executive directors</i>						
Zhanpeng Kong ⁵	40,000	-	-	-	-	40,000
Kit Man To ⁶	40,000	-	-	-	-	40,000
Jia Wei ⁶	40,000	-	-	1,267	-	41,267
Total	120,000	212,500	-	5,697	-	338,197
Year ended		Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to retirement benefits scheme	Share-based expenses and phantom unit changes	Total emoluments
December 31, 2024	Directors' fees					
C\$						
<i>Executive directors</i>						
Pingzai Wang ¹	-	368,500	-	-	-	368,500
Yongtan Liu ²	-	-	-	-	-	-
Binyou Dai ³	-	218,500	-	4,056	-	222,556
<i>Independent non-executive directors</i>						
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	-	4,056	16,485	728,308

- (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 Pingzai 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(b) for additional disclosures in respect of transactions with Yongtan 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. On October 24, 2025, Yongtan Liu tendered his resignation as the interim Chief Executive Officer of the Company. Yongtan Liu remain as the Chairman of the Board.
- (3) Binyou Dai was appointed as executive director of the Company on February 14, 2024. The amounts disclosed above for Binyou 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. Binyou Dai was appointed as the Chief Executive Officer of the Company with effect from October 31, 2025.
- (4) Each of the independent non-executive directors' compensation who are part of the Phantom Unit Plan is C\$0.10 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 approximately 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.
- (5) Clement Ka Hai Hung and Zhanpeng Kong were appointed as independent non-executive directors effective from 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 from December 24, 2024. The cash redemption value of Mr. Smith's Phantom Units was fixed at C\$0.16 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 from December 24, 2024. Their compensation is C\$0.04 million per year payable quarterly in cash. Neither of these directors participate in the Phantom Unit Plan.

For the years ended December 31, 2025 and 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 waived or agreed to waive any remuneration during the years ended December 31, 2025 and 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.

21 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Company during the year included two (2024: two) directors, details of whose emoluments are set out in Note 20. Details of the emoluments for the remaining three (2024: three) highest paid individuals who are not a director of the Company are as follows:

<i>C\$</i>	Year ended December 31,	
	2025	2024
Salaries and other emoluments	262,633	372,882
Severance	400,000	–
Contribution to retirement benefits scheme	10,296	9,314
Share-based expenses	5,927	16,004
Total	<u>678,856</u>	<u>398,200</u>

The emoluments of the above three individuals with the highest annual emoluments, excluding two directors (2024: Same), are within the following bands:

<i>Hong Kong dollars</i>	Year ended December 31,	
	2025	2024
Nil – 1,000,000 (equivalent to approximately C\$0 to C\$176,100)	2	2
1,000,001 – 1,500,000 (equivalent to approximately C\$176,100 to C\$264,150)	–	1
1,500,001 – 2,000,000 (equivalent to approximately C\$264,150 to C\$352,200)	–	–
2,000,001 – 2,500,000 (equivalent to approximately C\$352,200 to C\$440,250)	–	–
2,500,001 – 3,000,000 (equivalent to approximately C\$440,250 to C\$528,300)	–	–
3,000,001 – 3,500,000 (equivalent to approximately C\$528,300 to C\$616,350)	1	–
	<u>1</u>	<u>–</u>

22 FINANCE COSTS

C\$	Year ended December 31,	
	2025	2024
Interest expenses and financing costs:		
Term debt (Note 13)	216,250	329,789
Shareholder loans – Jixing Loan (Note 13)	494,284	755,959
Lease liabilities (Note 11(c))	24,807	87,824
Commitment charges ¹	112,846	78,739
Convertible debentures (Note 13)	472,150	112,858
Other loans (Note 15)	12,410	–
Other financing costs and bank charges	46,567	39,600
Accretion expenses:		
Decommissioning liabilities (Note 14)	28,900	47,651
Shareholder loans, except for Jixing Loan (Note 13)	195,819	(85,842)
Long-term payable (Note 13)	2,268,922	1,486,907
Amortisation of deferred financing costs related to term debt (Note 13)	53,565	53,565
(Gain)/loss on foreign exchange ²	(662,916)	1,159,830
Total finance costs	3,263,604	4,066,880

- (1) For the years ended December 31, 2025 and 2024, commitment charges are primarily comprised of costs associated with the Company's PSG facility (Note 27(e)).
- (2) For the year ended December 31, 2025, the gain on foreign exchange is primarily due to the conversion of the Company's USD term debt, shareholder loan, other loans and convertible debentures (2024: Same except for other loans).

23 INCOME TAX EXPENSE

(a) Current tax

No provision for income tax was made for the years ended December 31, 2025 and 2024 as the Company had no assessable profits for both years.

During the year ended December 31, 2025, the blended statutory tax rate was 23% (2024: 23%).

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

C\$	Year ended December 31,	
	2025	2024
Loss before tax	(23,467,769)	(20,267,110)
Combined Federal and Provincial tax rate	<u>23.0%</u>	<u>23.0%</u>
Tax at blended statutory tax rate	(5,397,587)	(4,661,435)
Tax effect of non-deductible expenses	125,714	5,341
Tax effect of non-taxable revenue	(9,209)	–
Tax effect of tax losses not recognised	3,601,493	3,857,905
Tax effect of deductible temporary differences not recognised	<u>1,679,589</u>	<u>798,189</u>
Income tax expense	<u><u>–</u></u>	<u><u>–</u></u>

(b) Deferred tax

At the end of the reporting period, the Company has not recognised the deductible temporary differences as deferred tax due to the unpredictability of future profit streams of the Company. The components of the net deferred tax assets/(liabilities) not recognised are as follows:

C\$	Year ended December 31,	
	2025	2024
Deferred tax assets/(liabilities)		
PP&E, E&E assets and right of use assets	(113,828,677)	(109,599,142)
Decommissioning obligations	2,005,974	1,451,965
Unrecognised tax losses carry forward	75,844,192	60,185,531
Share issue costs	52,450	72,940
Debt and other	<u>(387,331)</u>	<u>737,054</u>
Total	<u><u>(36,313,392)</u></u>	<u><u>(47,151,652)</u></u>

Under Canadian tax laws, unused tax losses can be carried forward for 20 years if the loss arises in tax years ended after December 31, 2005. Included in unrecognised tax losses are losses of approximately C\$75.84 million that will expire from 2037 to 2045 (2024: approximately C\$60.18 million that will expire from 2037 to 2044).

24 LOSS PER SHARE – BASIC AND DILUTED

<i>C\$ except share amounts</i>	Year ended December 31,	
	2025	2024
Loss for the year	(23,467,769)	(20,267,110)
Weighted average number of common shares	<u>556,798,561</u>	<u>506,165,209</u>
Loss per share – basic and diluted	<u>(0.04)</u>	<u>(0.04)</u>

Basic 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 year. 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 share options or convertible debentures.

The assumed conversion of the outstanding convertible debentures (2024: the share options and the assumed conversion of the outstanding convertible debentures) are excluded from the weighted-average share calculations for the years ended December 31, 2025 because they were anti-dilutive.

25 DIVIDEND

The directors of the Company did not recommend or declare the payment of any dividend in respect of the years ended December 31, 2025 and 2024.

26 RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, during the year, the Company entered into the following material 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 20, is as follows:

C\$	As at December 31, 2025	As at December 31, 2024
Director's fees	120,000	120,767
Salaries, allowance and other benefits	363,583	492,000
Contribution to retirement benefits scheme	10,296	8,111
Share-based expenses and phantom unit adjustments	5,927	32,489
Severance	400,000	346,500
Total	899,806	999,867

(b) Transactions with directors

Directors' Fees and Phantom Unit Plan

Except as described below, one of the independent non-executive director's compensation is C\$0.10 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 director's fees reflect the adjustment for the fair value of the Phantom Unit component as described in Notes 19 and 20. During the year ended December 31, 2024, the Company expensed approximately C\$0.02 million of director's compensation per the Phantom Unit Plan as a result of the increase in the trading price of the Company's common shares. Upon resignation of Larry Smith on December 24, 2024, there is no independent non-executive directors participating in the Phantom Unit Plan as described in Notes 19 and 20.

For resigned independent non-executive directors who were participating in the Phantom Unit Plan, their cash redemption value of their Phantom Units was fixed at the Director Termination Date in accordance with the terms of the Company's Phantom Unit Plan as described in Notes 19 and 20. Subsequent payments made to them will only reduce the outstanding Phantom Unit balance.

The Company's total independent non-executive directors' compensation expense was approximately C\$0.12 million (2024: C\$0.14 million including the Phantom Unit Plan expenses) for the year ended December 31, 2025.

Jixing Gas Handling and Voyager Compression Agreements

On May 9, 2019, the Company entered into a gas handling agreement with Jixing (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, 2025, the Company incurred total gas handling charges of approximately C\$7.50 million in respect of this agreement (2024: C\$6.09 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, 2025, the Company incurred total gas compression charges of approximately C\$2.03 million in respect of this agreement (2024: C\$1.89 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 2026 to 2044:

C\$	Monthly gas handling charges	Monthly gas compression charges	Total monthly charges	Total annual charges
2026	765,740	146,000	911,740	10,940,880
2027-2044	<u>433,438</u>	<u>–</u>	<u>433,438</u>	<u>5,201,250</u>

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, 2025, the Company recovered administrative costs per the contracts of approximately C\$0.07 million (2024: C\$0.17 million).

Jixing is a private Canadian company controlled by Yongtan Liu, who was appointed as director and Chairman of the Company on December 18, 2019. 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.

Such related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

On January 22, 2026, the Company and Jixing have entered into Amendment to Gas Handling Agreement and Amendment to Voyager Compression Agreement (collectively the “**Amendments to Jixing GHCA**”). Under Amendment to Gas Handling Agreement, the gas handling charges originally shall accrue for the years 2026 and 2027 are then deferred to the years 2028 and 2029, respectively. Under Amendment to Voyager Compression Agreement, payment and expenses of the 2026 gas compression charges are deferred to the year 2028.

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 risks, and the Company’s management of capital.

The Company’s risk management policies are established to identify and analyse 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

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. The Company’s maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statement of financial position.

The Company is exposed to credit risk in relation to its (i) trade receivables; (ii) deposits and other receivables; and (iii) deposits with banks and other financial institutions.

Trade receivables

In order to minimise the credit risk, individual credit evaluations are regularly performed on all customers. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment. The Company does not obtain collateral from customers. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Company’s credit risk is significantly reduced.

An impairment test is performed at the end of the reporting period using the simplified approach. Each of the customers is assessed for impairment individually by reference to the repayment history over a period of 12 month and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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. There are no material trade receivables that the Company considers past due and at risk of collection. As at December 31, 2025 and 2024, all of the trade receivables were aged less than 90 days old. The Company seeks to manage its credit risk on trade receivables by trading with third party customers it considers to be creditworthy. Based on the credit worthiness and past payment history of the counterparties, the ECL of the trade receivables is immaterial (2024: Same).

As at December 31, 2025, the Company's trade receivables consisted of approximately C\$1.32 million (2024: C\$0.69 million) due from purchasers of the Company's crude oil and natural gas.

Deposits and other receivables

For deposits and other receivables, the Company performs an ongoing individual credit evaluation of their counterparties' financial conditions and historical settlement records. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Company provided impairment based on 12m ECL and the management is of the opinion that the outstanding balances are recoverable.

Deposits with banks and other financial institutions

The credit risk on deposits with banks and other financial institutions is limited because the counterparties are financial institutions with high credit ratings.

The Company's exposure to credit risk

In order to recognise credit risk, the Company has developed and maintained the Company's credit risk grading to categorise exposures according to their degree of risk of default.

The Company's internal credit risk grading assessment comprises the following categories:

Category	Description	Basis for recognising ECL	
		Other financial assets	Trade receivables
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired	12-month ECL	Lifetime ECL – not credit impaired
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The identification of internal credit rating for all financial assets regularly reviewed by the management of the Company to ensure relevant information about specific financial assets is updated.

The tables below detail the credit risk exposures of the Company's financial assets, which are subject to ECL assessment:

	Notes	External Credit Rating	Internal Credit Rating	12-month or Lifetime ECL	As at December 31	
					2025 Gross carrying amount C\$	2024 Gross carrying amount C\$
Financial assets at amortised cost						
Deposits with banks and other financial institutions	7	A1 – Aa2	N/A	12-month ECL	81,753	209,486
Deposits and other receivables	8	N/A	N/A	12-month ECL	–	488
Trade receivables	8	N/A	Performing	Lifetime ECL – not credit impaired	1,318,865	691,842
					1,400,618	901,816

(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 directors of the Company have carried out a detailed review of the cash flow forecast of the Company for the 12 months ending December 31, 2026 and the measures taken by the management as set out in the Note 3 to the financial statements, and consider that the Company will have sufficient working capital to meet its liabilities as and when they fall due for the 12 months from December 31, 2025.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Company is required to pay. The table includes both interest and principal cash flows.

C\$	Carrying amounts	Total	On demand or less than 1 year	1 – 2 years	3 – 5 years
At December 31, 2025					
Accounts payable and accrued liabilities	4,655,059	4,655,059	4,655,059	–	–
Long-term debt – shareholder loans ¹	12,160,215	12,250,520	12,250,520	–	–
Long-term debt – term debt ²	3,305,220	3,372,176	3,372,176	–	–
Long-term payable ³	31,035,457	34,751,923	7,494,290	–	27,257,633
Convertible debentures – liability component	2,157,550	2,213,374	2,213,374	–	–
Other loans	400,215	431,103	431,103	–	–
Lease liabilities	31,703	34,256	20,323	8,801	5,132
Total	<u>53,745,419</u>	<u>57,708,411</u>	<u>30,436,845</u>	<u>8,801</u>	<u>27,262,765</u>
At December 31, 2024					
Accounts payable and accrued liabilities	7,977,501	7,977,501	7,977,501	–	–
Long-term debt – shareholder loans ¹	10,331,025	10,393,600	3,620,407	5,922,860	850,333
Long-term debt – term debt ²	3,315,424	3,435,944	1,583,928	1,479,996	372,020
Long-term payable ³	20,696,153	25,281,351	654,122	–	24,627,229
Convertible debentures – liability component	2,372,260	2,398,444	2,398,444	–	–
Lease liabilities	251,066	275,826	264,304	11,522	–
Total	<u>44,943,429</u>	<u>49,762,666</u>	<u>16,498,706</u>	<u>7,414,378</u>	<u>25,849,582</u>

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

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

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

(c) Market risk

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates that will affect the Company's valuation of financial instruments, the debt levels of the Company, as well as its performance and cash flow from operations. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising returns. There have been no changes over the prior year to the Company's objectives, policies or processes to manage market risks.

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, 2025 and 2024.

Interest rate risk

As at December 31, 2025, the Company's debts are comprised of lease liabilities, shareholder loans, convertible debentures, term debt, other loans and amounts owing under the Contract (refer to Note 12), which all carry a fixed interest rate (2024: Same).

As at December 31, 2025 and 2024, the Company has no variable rate borrowings. For the years ended December 31, 2025 and 2024, the exposure to cash flow interest rate risk on deposits with banks and other financial institutions are insignificant.

Foreign currency risk

Foreign exchange risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's businesses are principally conducted in C\$. The Company has transactional currency exposures. Such exposures arise from financing and operating activities of the Company's entities conducted in currencies other than the functional currency. 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 recognises 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, 2025 and 2024, the Company's overall net exposure to foreign exchange risk is as follows:

<i>Expressed in C\$</i>	Year ended December 31,	
	2025	2024
HKD Cash and cash equivalents	1,518	3,692
HKD Accounts payable and accrued liabilities	(377,779)	(298,085)
USD Accounts payable and accrued liabilities	(12,095)	(2,116,065)
USD Other loans	(400,215)	–
USD Long-term debt (current and non-current portions)	(11,080,006)	(11,291,092)
USD Convertible debentures	(2,157,550)	(2,372,260)
Overall net exposure	<u>(14,026,127)</u>	<u>(16,073,810)</u>

With all other variables held constant, 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, 2025 and 2024. Changes in the USD/CAD foreign exchange rate +/- US\$0.01 would increase/decrease the foreign exchange gain by approximately C\$0.1 million (2024: C\$0.1 million) and increase/decrease the Company's USD denominated debt by the same amounts for the year ended December 31, 2025.

The above sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting dates and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

(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 optimise 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, long-term debt, long-term payable, lease liabilities and net 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 2024.

The following represents the capital structure of the Company:

C\$	As at December 31, 2025	As at December 31, 2024
Non-current portion of long-term debt	–	9,101,883
Non-current portion of long-term payable	23,652,878	20,052,041
Non-current lease liabilities	13,154	10,546
Net working capital deficit	<u>30,972,581</u>	<u>16,277,974</u>
Net debt	54,638,613	45,442,444
Shareholders' deficit	<u>(39,382,085)</u>	<u>(21,460,975)</u>
Total	<u>15,256,528</u>	<u>23,981,469</u>

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

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) totaling approximately C\$4.4 million. On July 30, 2020 the aggregate PSG was reduced to approximately C\$1.85 million. On October 17, 2022, the aggregate PSG was reduced to approximately 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 collateralised, 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, 2025, the Company has PSG coverage for the following L/C's:

Amount	Expiry
C\$650,000	March 16, 2026

For the year ended December 31, 2025, the Company incurred fee of approximately C\$0.11 million in relation to the PSG facility (2024: C\$0.08 million) (Note 22).

The PSG facility has a 12-month term and must be renewed annually. The current term expires on August 31, 2026. 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 collateralise them.

Subsequent to the year ended December 31, 2025, upon the expiry of the L/C, no renewal of the L/C has been obtained. As such, the Company then required to cash-collateralise the PSG facility.

(f) Fair value measurements of financial instruments

Fair value of the Company's financial instruments that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial instruments recognised in the financial statements approximate to their fair value.

Fair value of the Company's financial instruments 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).

	Fair value at December 31, 2025 C\$	Fair value hierarchy	Valuation technique	Unobservable inputs
Financial liabilities				
Derivative component of convertible debenture	729,597 (2024: 41,714)	Level 3	Binomial model	Risk-free rate, historical volatility of the Company (2024: Same)

As at December 31, 2025, a 1% increase/(decrease) in risk-free rate would result in (decrease)/increase in fair value by C\$68 (2024: C\$365).

There were no transfers between the three levels during the reporting periods.

The movement during the year in the balance of Level 3 fair value measurements are as follows:

Reconciliation of Level 3 fair value measurements	Derivative component <i>(Note 13)</i> C\$
At January 1, 2024	–
Fair value recognised at the issue date	46,525
Change in fair value recognised in profit or loss	(6,490)
Exchange adjustments	<u>1,679</u>
At December 31, 2024 and January 31, 2025	41,714
Conversion of convertible debentures	(40,041)
Fair value recognised at the issue date	199,820
Change in fair value recognised in profit or loss	538,425
Exchange adjustments	<u>(10,321)</u>
At December 31, 2025	<u>729,597</u>

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

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

28 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. The following table outlines the Company's commitments to third parties/ related party at the end of the reporting period:

C\$	Total	Less than 1 year	1 – 2 years	3 – 5 years	After 5 years
At December 31, 2025					
Transportation commitment ¹	3,100,868	3,100,868	–	–	–
Jixing GHCA ²	104,550,120	10,927,620	10,402,500	10,402,500	72,817,500
PSG facility ³	650,000	650,000	–	–	–
Total	108,300,988	14,678,488	10,402,500	10,402,500	72,817,500
At December 31, 2024					
Transportation commitment ¹	6,489,541	3,388,673	3,100,868	–	–
Jixing GHCA ²	113,734,000	9,170,628	16,142,130	10,402,500	78,018,742
PSG facility ³	733,000	733,000	–	–	–
Total	120,956,541	13,292,301	19,242,998	10,402,500	78,018,742

- (1) The transportation commitment reflects the transfer of 4.84 MMcfd/d during 2024 reducing the overall future commitment.
- (2) Jixing GHCA are predominantly non-cash payables due to being subordinated to the term debt (see Note 13(b)). Subsequent to the year ended December 31, 2025, the Company and Jixing entered into Amendments to Jixing GHCA to defer the charges from 2026 onwards as set out in Note 26(b).
- (3) The PSG facility commitment will only be due if the facility is not renewed and the L/C's are cash collateralised by the Company as discussed in Note 27(e).

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, 2018 to November 30, 2026 (the firm service fee varies and is subject to review by the counterparty on an annual basis). The amounts presented in the Commitments table above for the transportation service commitment fee are based on fixed transportation capacity as per these agreements and management's best estimate of future transportation charges. During the year ended December 31, 2024, the Company transferred 4.84 MMcf/d of its FT-R obligations to another issuer.

29 SUBSEQUENT EVENTS

Save as disclosed in Note 13 in relation to conversion of convertible debentures, Note 13(b) in relation to the Loan Capitalisation Agreement and Note 26(b) in relation to Amendments to Jixing GHCA, there are no other major subsequent events occurring after the reporting period.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“**MD&A**”) of JX Energy Ltd., (“**JX**” or “**JX Energy**” or the “**Company**”) should be read in conjunction with the Company’s audited financial statements and notes thereto for the years ended December 31, 2025 and 2024 (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 27, 2026.

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 declined as the ongoing global impact of the wars in Ukraine and the Middle East, climate-related factors and supply chain disruptions continued to create volatility in global commodity markets. During the first three quarters of 2025, market uncertainty associated with global trade developments and tariff negotiations continued to place pressure on commodity prices, and natural gas prices in the third quarter of 2025 recorded a significant decrease compared with the previous quarter. However, during the fourth quarter of 2025, natural gas prices strengthened significantly, with the AECO benchmark price increasing materially from the relatively moderate levels observed earlier in the year, supported by seasonal demand and improving market conditions. This late-year recovery partially offset the weaker pricing environment experienced earlier in the year. As the spot price for Western Canadian natural gas fluctuates daily, there can be no assurance that the Company will realise future sales prices consistent with currently forecast levels. The Company continues to evaluate additional development targets and may commence drilling during 2026 and 2027, subject to the availability of capital and commodity prices reaching levels comparable to the averages experienced in 2022.

Natural gas power project

On July 25, 2025, the Company announced its intention proceed with a project to build a 9.6MW natural gas power plant (the “**Project**”). The Company is proceeding with the engineering, procurement and construction phase (the “**EPC Phase**”) of the Project and it is expected that the EPC Phase will cost approximately C\$5.84 million subject to further adjustments depending on, among others, subsequent quotations from other independent suppliers and the prevailing market conditions. To finance the development of the Project, the Company intends to raise funds through equity financing, including issuing new shares. Any such fundraising arrangement will be subject to further approval from the Board and The Stock Exchange of Hong Kong Limited. As at the date of this MD&A, the Company has not entered into any understanding, arrangement or agreement about the aforesaid plan with any party.

The Company views the Project as a strategic objective to expand the Company’s revenue sources and enable the Company to generate electricity independently for both internal operations and external markets, helping to address the rising electricity demand in Alberta. While the application for the regulatory permits and approvals for the Project remain in progress, the Company has resolved to proceed with certain activities of the EPC Phase, as the Company recognises the strategic importance of maintaining the momentum and readiness of the Project. As at December 31, 2025, the Company has spent approximately C\$0.22 million on the Project.

On November 4, 2025, the Board further approved the development of an additional 4.7MW natural gas power generation project consisting of five 0.94MW power generation units located at the Company’s existing well sites and at the site of Jixing Energy (Canada) Ltd. ("Jixing"). The EPC cost for this project is currently estimated to be approximately C\$3.0 million and will be paid in stages. The Company expects this project to enable the independent generation of electricity for external sale and enhance the overall value of the Company’s natural gas production.

Subsequent to the year end, on January 6, 2026, the Company received the primary regulatory approval from Alberta Environment and Protected Areas in relation to the natural gas power project, with the approved project capacity adjusted from 9.6MW to 9.5MW. The Company continues to pursue the remaining regulatory approvals required for the project.

Convertible debentures

On March 19, 2025, the Company entered into a convertible debenture agreement with an independent third party for approximately US\$1.52 million (equivalent to approximately C\$2.11 million), bearing interest of 9% per annum payable monthly and maturing on December 10, 2025 (the “**December Debenture**”). The Company may repay, with mutual agreement of the lender, the December Debenture in full or part upon maturity, including accrued and unpaid interest, in cash or with common shares at a deemed price of HK\$0.20 per common share or one common share for each US\$0.02571 of the December Debenture outstanding including accrued and unpaid interest. Due to certain administrative procedures, the conversion of the December Debenture did not commence on the maturity date. Subsequently, on March 2, 2026, the Company issued 42,028,438 common shares to convert part of the principal amount of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million). The remaining principal of approximately US\$0.44 million (equivalent to approximately C\$0.60 million) and accrued and unpaid interest of approximately US\$0.10 million (equivalent to approximately C\$0.14 million) were transferred into a separate loan agreement with the lender.

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for US\$1.60 million (equivalent to approximately C\$2.18 million), bearing interest of 12% per annum payable monthly, and matures on July 24, 2025 (the “**July Debenture**”). Upon maturity on July 24, 2025, the principal amount of US\$1.60 million (equivalent to approximately C\$2.18 million) was converted into 62,548,866 common shares of the Company, which were allotted and issued under the 2024 General Mandate on August 1, 2025. The accrued and unpaid interest of approximately US\$0.19 million (equivalent to approximately C\$0.26 million) was transferred into a separate loan agreement with the lender.

Share issuance for cash

On February 8, 2024, the Company completed the placing issuing 30 million common shares at a price of HK\$0.24 per common share for gross proceeds of HK\$7.20 million (C\$1.28 million). At closing, the market price of the Company’s common shares was HK\$0.216 and the HK\$0.024 per share in excess of market value, totaling C\$0.12 million (HK\$0.72 million) was allocated to contributed surplus.

On May 29, 2024 the Company completed the placing issuing 33 million common shares at a price of HK\$0.22 per common share for gross proceeds of HK\$7.26 million (C\$1.26 million). At closing, the market price of the Company’s common shares was HK\$0.188 and the HK\$0.032 per share in excess of market value, totaling C\$0.19 million (HK\$1.06 million) was allocated to contributed surplus.

On September 19, 2025 the Company completed the placing issuing 12.89 million common shares at a price of HK\$0.33 per common share for gross proceeds of HK\$4.25 million (C\$0.75 million). At closing, the market price of the Company's common shares was HK\$0.38 and the HK\$0.050 per share discount to market value, totaling C\$0.11 million (HK\$0.64 million) was allocated to contributed surplus.

On September 19, 2025 the Company completed the placing issuing 7.78 million common shares at a price of HK\$0.436 per common share for gross proceeds of HK\$3.39 million (C\$0.59 million). At closing, the market price of the Company's common shares was HK\$0.38 and the HK\$0.056 per share in excess of market value, totaling C\$0.08 million (HK\$0.44 million) was allocated to contributed surplus.

On November 3, 2025 the Company completed the placing issuing 11.16 million common shares at a price of HK\$0.31 per common share for gross proceeds of HK\$3.46 million (C\$0.62 million). At closing, the market price of the Company's common shares was HK\$0.325 and the HK\$0.015 per share discount to market value, totaling C\$0.03 million (HK\$0.17 million) was allocated to contributed surplus.

Land transaction

On February 27, 2024, the Company accepted a non-binding letter of intent from an independent third party to purchase five sections of undeveloped land in the Basing CGU for C\$1.90 million. On April 1, 2024, the purchase and sale agreement was executed, the gross proceeds of C\$1.90 million were received, and the transaction was completed. The Company did not incur any significant additional costs because of the sale.

SELECTED QUARTERLY INFORMATION

Daily Average Production	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Natural gas (mcf/d)	6,070	219	7,194	10,231	3,746	(16)	1,361	8,121
Crude oil (bbls/d)	31	31	31	26	28	33	36	42
NGLs and condensate (bbls/d)	53	4	67	75	33	–	17	84
Total production (boe/d)	1,095	72	1,297	1,807	685	30	280	1,480
Daily Average Trading								
Natural gas (boe/d)	7	2	3	13	18	3	4	31
Daily Average Sales (boe/d)	1,102	74	1,300	1,820	703	33	284	1,511
Financial								
<i>C\$000s except share amounts</i>	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Production revenue	2,112	256	2,125	2,908	1,174	252	715	2,827
Net trading (loss) revenue	1	–	(8)	10	–	(2)	–	3
Royalties (expense) recovery	(247)	(17)	(151)	(198)	(78)	(48)	70	(32)
Operating costs	(3,910)	(3,495)	(3,990)	(4,199)	(3,358)	(3,169)	(3,318)	(3,656)
Operating netback ¹	(2,044)	(3,255)	(2,024)	(1,479)	(2,262)	(2,967)	(2,533)	(858)
Net (loss) income	(8,272)	(6,307)	(5,313)	(3,576)	(8,777)	(4,212)	(3,848)	(3,430)
Adjusted EBTIDA ⁴	(1,150)	(1,130)	137	718	702	(1,251)	(725)	436
Net working capital ²	(30,973)	(23,177)	(24,029)	(16,261)	(16,278)	(20,606)	(13,307)	(12,177)
Total assets	18,405	20,023	21,924	25,726	25,888	30,812	31,340	34,722
Capital expenditures (disposals) ³	186	67	52	28	27	43	82	(32)
Loss per share basic	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Loss per share diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)

- (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, 2025, C\$3.31 million of term debt and C\$12.16 million of shareholder loans have been classified as current as the Company is in arrears of its payments.
- (3) Capital expenditures consist of total expenditures for property, plant and equipment plus exploration and evaluation assets.
- (4) Adjusted EBITDA is defined as earnings before income tax, depreciation, amortisation and non-cash expenses. Adjusted EBITDA is a non-IFRS financial measure. See “Non-IFRS Financial Measures” for further information.

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.

In contrast, natural gas prices in Q1 2025 had recovered modestly above Q4 2024 averages, allowing the Company to resume full production. However, the broader natural gas market remained volatile throughout 2024 and early 2025, impacted by fluctuating demand, warmer-than-expected winters, and oversupply conditions across North America.

In Q2 2025, the Company recorded a net loss that included C\$2.35 million in write-offs of undeveloped land in the Voyager CGU due to land expiries. The decision to curtail production during June and July followed a significant decline in commodity prices from late Q2 2025 levels, which rendered gas production uneconomic at the time.

In Q3 2025, the Company reported a net loss primarily attributable to the temporary suspension of gas production and non-cash write-offs of undeveloped land. The Company recorded C\$1.41 million in write-offs related to the expiry of undeveloped lands in the Voyager CGU. In response to the sustained weakness in natural gas prices during the quarter, management elected to shut in gas production in early July for approximately 3.5 months to preserve reserves and mitigate losses from uneconomic operations. This temporary production curtailment was the principal factor contributing to the loss for the quarter.

In Q4 2025, the Company recorded a net loss that included C\$3.36 million in impairment losses in the Basing and Voyager CGUs due to decreases in forecast commodity prices, and C\$0.54 million in change in fair value of the derivative component of convertible debentures. During the fourth quarter, natural gas prices increased materially compared with the third quarter of 2025, supported by stronger winter demand and improved AECO benchmark prices. The Company resumed production in October 2025 following the temporary suspension earlier in the year. As production only resumed late in the year, revenues in the fourth quarter continued to be impacted by lower overall production volumes; however, the recovery in market prices contributed to the majority of the Company's revenues for the year.

As market fundamentals began to improve toward the end of the quarter, the Company resumed production in October 2025. To enhance cash flow stability and mitigate exposure to continued price volatility, the Company entered into hedging arrangements covering approximately 7,000 GJ per day from January 1, 2026 to December 31, 2026 at prices ranging from C\$3.04 to C\$3.11 per GJ. These forward sales contracts are expected to provide greater revenue certainty and support positive operating cash flows as natural gas prices strengthen through 2026.

Earlier, in April 2024, the Company had temporarily shut in its wells due to persistently low gas prices, preserving reserves until market conditions improved. Partial production resumed in October 2024 as prices stabilised. The higher net losses reported in Q4 2025 and 2024 were primarily due to non-cash impairment and write-off charges, reflecting reduced asset carrying values amid declining commodity price forecasts and weaker economic assumptions at the time.

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, utilising a conversion on a 6:1 basis may be misleading as an indication of value.

	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Production						
Natural gas (mcf/d)	6,070	3,746	62%	5,972	3,295	81%
Oil (bbl/d)	31	28	11%	30	34	(10%)
NGLs (bbl/d)	18	9	103%	19	9	117%
Condensate (bbl/d)	35	25	44%	32	25	27%
Total production (boe/d)	1,095	685	60%	1,077	617	74%
Trading						
Natural gas (mcf/d)	43	109	(60%)	38	83	(54%)
Total trading (boe/d)	7	18	(60%)	6	14	(54%)
Total sales volume (boe/d)	1,103	703	57%	1,083	631	72%

Total sales volume for the three months and year ended December 31, 2025 was 57% and 72% higher than the comparative periods in 2024, primarily due to a longer period of production curtailment in the fourth quarter of 2024 when the Company shut in its gas wells in response to low commodity prices. In addition, the average market price and the Company's realised selling price for natural gas during the fourth quarter and the year ended December 31, 2025 were higher than those in the comparative periods of 2024, which further contributed to the increase in revenue.

The Company did not enter into any forward sales contracts during the three months and year ended December 31, 2025 and 2024, 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 relatively small quantity of gas traded during the three months and year ended December 31, 2025, comprising only 0.7% and 0.6%, respectively, of the total gas sold during the periods, which represents a decrease from 2.6% and 2.2%, respectively, in the corresponding periods ended December 31, 2024.

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 percentage of natural gas boe/d for the three months and year ended December 31, 2025 was approximately 5.3% and 5.1%, respectively, remaining generally consistent with 5.3% and 6.2%, respectively, for the corresponding periods ended December 31, 2024.

Oil production for the three months and year ended December 31, 2025 was 11% higher and 10% lower than the comparative periods in 2024 due to natural declines, and periods where production was sub-optimal due to maintenance.

Revenue

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Production						
Natural gas	1,663	702	137%	5,265	2,855	84%
Crude oil	176	233	(24%)	921	1,128	(18%)
NGLs	29	30	(3%)	162	101	60%
Condensate	244	209	17%	1,053	884	19%
Total production revenue	2,112	1,174	80%	7,401	4,968	49%
Trading						
Natural gas trading revenue	8	20	(60%)	27	58	53%
Natural gas trading cost	(7)	(20)	(65%)	(24)	(57)	(58%)
Total trading revenue	1	–	N/A	3	1	200%
Other income	–	5	(100%)	5	20	(75%)
Total revenue	2,113	1,179	79%	7,409	4,989	49%

Production revenue for the three months and year ended December 31, 2025 increased by 137% and 84%, respectively, compared with the corresponding periods in 2024, primarily due to higher market prices and realised selling prices for natural gas.

Crude oil production revenue for the three months and year ended December 31, 2025 was impacted by general production declines and decreases in average sales price for the three months and year ended December 31, 2025 over the comparative periods in 2024.

NGLs and condensate revenue for three months and year ended December 31, 2025 increased 14% and increased 23% over the comparative periods in 2024 due to the production increase offset by a decrease in average sales prices.

Commodity prices

	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Natural gas (C\$/mcf)						
Average market price (AECO)	3.07	1.98	55%	2.13	1.50	42%
Average trading price	2.07	1.98	4%	1.95	1.92	2%
Average trading cost price	1.70	1.96	(13%)	1.70	1.87	(9%)
Average sales price	2.77	1.99	39%	2.34	2.27	3%
Crude oil (C\$/bbl)						
Average market price (Edmonton Par)	81.34	93.03	(13%)	85.69	98.10	(13%)
Average sales price	70.38	76.78	(8%)	82.93	90.69	(9%)
Sales/market differential	(13%)	(17%)		(3%)	(8%)	
NGLs (C\$/bbl)						
Average market price (Propane/Butane)	23.39	26.22	(11%)	33.61	34.58	(3%)
Average sales price	15.86	37.46	(58%)	23.48	95.72	(75%)
Sales/market differential	(32%)	43%		(30%)	177%	
Condensate (C\$/bbl)						
Average market price (Pentane Plus)	84.41	93.24	(9%)	89.69	99.14	(10%)
Average sales price	94.47	99.02	(5%)	90.22	95.72	(6%)
Sales/market differential	12%	6%		1%	(3%)	

Realised natural gas sales prices for the three months ended December 31, 2025 increased by approximately 39% compared to the same period in 2024, primarily driven by a significant increase in AECO benchmark pricing. For the year ended December 31, 2025, realised gas prices increased modestly by approximately 3% year-over-year, reflecting stronger market conditions offset in part by changes in trading dynamics and pricing differentials.

Natural gas pricing is influenced by both market conditions and gas quality. Higher heat content (Btu) gas typically commands a premium over AECO benchmark prices. During 2025, the Company's realised prices continued to exceed its average trading prices, reflecting the quality of production and favorable sales arrangements.

AECO prices are typically strongest during the winter months (October through March). In contrast, benchmark pricing in 2025 was higher relative to 2024, primarily reflecting broader market conditions, including the continued advancement of clean energy initiatives and the impact of inflation, which supported comparatively stronger pricing in 2025. The Company does not utilise hedging or forward contracts, and therefore realised prices reflect prevailing market conditions and daily trading activities, which may not align directly with period-average AECO benchmarks.

The Company engages in gas trading activities to manage shortfalls between production and delivery nominations. As a result, average trading prices and associated costs can fluctuate significantly depending on market conditions and volumes traded, and may not be directly comparable between periods.

NGLs and condensate production is associated with natural gas output and varies based on reservoir characteristics and production mix. The Company's natural gas wells produce varying amounts of NGLs (propane and butane), which are sold at different prices in the market. The quantity of butane and propane produced by a well can change over time and generally, the more butane produced, the higher the realised price for NGLs. For the three months and year ended December 31, 2025, NGL realised prices decreased by approximately 58% and 75%, respectively, compared to 2024, reflecting weaker pricing for propane and butane as well as changes in product mix.

Condensate prices remained relatively strong, with realised prices exceeding benchmark levels in certain periods due to product quality and market demand. However, for the three months and year ended December 31, 2025, condensate realised prices decreased by approximately 5% and 6%, respectively, compared to 2024, broadly in line with declines in benchmark pricing.

Crude oil realised prices decreased by approximately 8% for the three months and 9% for the year ended December 31, 2025 compared to the same periods in 2024, consistent with lower benchmark Edmonton Par pricing. Realised pricing can vary from benchmark due to quality differentials and the timing of sales. Benchmark prices are generally calculated as simple averages over the period, whereas the Company's realised prices represent volume-weighted averages based on actual sales volumes and transaction timing. Accordingly, realised prices may not be directly comparable to benchmark reference prices.

Overall, fluctuations in realised commodity prices during 2025 were primarily driven by changes in benchmark pricing, product mix, and market differentials, with limited use of risk management instruments.

Royalties

<i>C\$ 000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Natural gas, NGLs and condensate	192	8	2300%	340	(281)	(221%)
Crude oil	54	70	(23%)	273	369	(26%)
Total royalty expense	246	78	215%	613	88	597%
Effective average royalty rate	12%	7%	75%	8%	2%	368%

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, 2025 and 2024, 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 Expenses

<i>C\$ 000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Natural gas, NGLs and condensate	3,860	3,271	18%	15,300	12,926	18%
Crude oil	52	87	(40%)	294	575	(49%)
Total operating expenses	3,912	3,358	16%	15,594	13,501	16%
Unit Cost (C\$/boe)						
Natural gas, NGLs and condensate	39.40	54.07	(27%)	40.07	60.57	(34%)
Crude oil	18.48	34.36	(46%)	26.46	46.25	(43%)
Average cost	38.82	53.28	(27%)	39.69	59.78	(34%)

Total operating expenses (“OPEX”) for natural gas, NGLs and condensate for the three months and year ended December 31, 2025 was 18% and 18% higher than the comparative period in 2024 reflecting the increase in production for the period. On a unit cost basis, OPEX for the three months and year ended December 31, 2025 was lower than the comparative periods due to operational efficiency from increased production.

The Company has gas handling and gas compression agreements with a related party Jixing which comprises the majority of the OPEX for natural gas, NGLs and condensate. For the three months and year ended December 31, 2025, Jixing related operating expenses were C\$2.38 million or 61% and C\$9.53 million or 61% (2024: C\$2.03 million or 60% and C\$7.98 million or 59%), respectively. Under the Company’s agreements with Jixing, the majority of the Jixing operating expenses are cash deferred.

Total OPEX for crude oil decreased for the three months and year ended December 31, 2025 by 40% and 49%, respectively, compared to the same periods in 2024, primarily due to lower trucking costs and the absence of oil spill-related maintenance and repair expenses incurred in 2024 (approximately C\$0.13 million). On a unit cost basis, OPEX for the three months and year ended December 31, 2025 also decreased compared to the same periods in 2024, consistent with the reduction in total OPEX, as production volumes remained relatively stable.

General and Administrative Expenses

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Staff costs	487	128	280%	785	854	(8%)
Directors’ fees	43	44	(2%)	120	121	(1%)
Phantom Unit charges	–	26	(100%)	–	16	(100%)
Accounting, legal and consulting fees	461	500	(8%)	778	872	(11%)
Office expenses	23	(55)	(142%)	42	(170)	(125%)
Share-based expenses	1	4	(75%)	6	16	(63%)
Operational expenses recovery	(74)	(171)	(57%)	(74)	(171)	(57%)
Others	(6)	34	(118%)	8	123	(93%)
Total G&A expenses	935	510	83%	1,665	1,661	0%
Capitalised staff costs	27	53	(49%)	106	112	(5%)

For the three months ended December 31, 2025, the increase in staff costs reflect the changes in the CFO. In October 2025, the Company's CFO resigned, and a severance of C\$0.40 million was incurred. For the year ended December 31, 2025, the decrease in staff costs and phantom unit charges reflect the changes in the CEO and the board of directors. In February 2024, the Company's CEO resigned, and a severance of C\$0.39 million was incurred.

For the three months and year ended December 31, 2025, accounting, legal, and consulting fees decreased compared to the same period in 2024, reflecting improved management efficiency within the Company.

For the three months and year ended December 31, 2025, office expenses increased over the same periods in 2024 primarily due to the Company moving its head office and subleasing the space which ended in February 2025.

For the three months and year ended December 31, 2025 and 2024 other costs include memberships, travel and accommodation, and computer and software contracts. For the three months and year ended December 31, 2025, other costs decreased due to the Company not renewing certain computer and software contracts that were in effect for 2024.

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

Finance Expenses

C\$000s	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Interest expenses and financing costs:						
Term debt	40	77	(48%)	216	330	(35%)
Shareholder loans – Jixing Loan	92	176	(48%)	494	756	(35%)
Interest on lease liabilities	2	21	(90%)	25	88	(72%)
Commitment charges	15	14	7%	113	79	43%
Convertible debentures	122	65	88%	472	113	318%
Other loans	12	–	N/A	12	–	N/A
Other financing costs and bank charges	33	7	371%	47	38	24%
Accretion expenses:						
Decommissioning liabilities	2	(1)	(300%)	29	48	(40%)
Shareholder loans, except for Jixing Loan	46	(109)	(142%)	196	(86)	(328%)
Long-term payable	663	432	53%	2,269	1,487	53%
Amortisation of deferred financing costs related to term debt	14	13	8%	54	54	0%
(Gain)/Loss on foreign exchange	(203)	858	(124%)	(663)	1,160	(157%)
Total finance expenses	838	1,553	(46%)	3,264	4,067	(20%)

For the three months and year ended December 31, 2025, interest expenses were incurred from the Company's term debt, shareholder loans - Jixing Loan, other loans, convertible debentures, and lease liabilities. As the Company's term loans, other loans and convertible debentures are denominated in USD, the interest incurred can vary due to fluctuations in the foreign exchange rate.

For the three months and year ended December 31, 2025 and 2024, accretion expenses were incurred from decommissioning liabilities, the fair-value adjustments of the Company's long-term payable, and shareholder loans except for Jixing loan. Amortisation of debt issuance costs includes legal fees, commissions and commitment fees which were incurred for the closing of the term debt facilities obtained in March 2023. These costs are capitalised against the debt and are amortised over the course of the loan terms.

For the three months and year ended December 31, 2025, the gain in foreign exchange is primarily due to the differences in the US\$/C\$ exchange rate on the CIMC Loan and Jixing Loan and the convertible debentures from the beginning to the end of the periods.

Depletion, Depreciation and Amortisation (“DD&A”)

<i>C\$000s except per unit costs</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Depletion	527	(135)	(490%)	1,925	878	119%
Depreciation	–	1	(100%)	2	5	(60%)
Amortisation of right of use assets	14	145	(90%)	192	592	(68%)
Total DD&A	541	11	4818%	2,119	1,475	44%
Per boe	5.37	0.17	2976%	5.39	6.53	(17%)

Depletion expense is comprised of depletion incurred from production of the Company’s developed assets and will vary depending on production. The depreciation expense is comprised of the depreciation of fixed assets including office furniture and office equipment, which is amortised on a straight-line basis. The amortisation of capitalised leases is carried as the right of use of capitalised lease assets.

Depletion is a function of both production and the capitalised value of assets subject to depletion. The increase in DD&A for the three months and year ended December 31, 2025 is attributable to the reduction in the Company’s reserves from production and adjustments to the asset retirement obligation.

Impairment and Write-Offs

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Exploration and evaluation (“E&E”) assets write-offs	–	129	(100%)	3,764	148	(2443%)
Property, plant and equipment (“PP&E”) impairment	3,360	4,320	(22%)	3,360	4,320	(22%)
PP&E write-offs	–	3	(100%)	–	3	(100%)
Total impairment and write-offs	3,360	4,452	(25%)	7,124	4,471	59%

For the three months and year ended December 31, 2025 and 2024, the Company assessed its E&E assets and PP&E for impairment on a cash generating unit (“CGU”) basis in accordance with its policy (refer to the Financial Statements for details of the Company’s impairment policy).

During Q2 and Q3 2025, the Company recognised write-offs of E&E assets related to expired leases within the Voyager CGU. In Q2 2025, six leases expired with a carrying value of approximately \$2.35 million. In Q3 2025, an additional three leases expired with a carrying value of approximately \$1.41 million. These leases were written off as the Company was unable to obtain extensions from the Government of Alberta.

For the year ended December 31, 2025, 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, 2025, 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 (2024: 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 recognised an impairment of C\$1.05 million (2024: C\$4.12 million).

As at December 31, 2025, 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 (2024: 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 recognised an impairment of C\$2.31 million (2024: impairment recovery C\$0.20 million).

On April 1, 2024, the Company sold certain E&E assets in its Basing CGU and the impairment recorded in 2023 was reversed when the asset values were removed from the Company's asset listing. For the period ending December 31, 2024 the Company realised additional costs related to the sold assets, and the value was written off. There was no gain or loss on the sale of the E&E assets recognised in the three months ended December 31, 2024 as the asset value was already impaired in 2023.

Loss and Comprehensive Loss

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Total loss and comprehensive loss	<u>(8,272)</u>	<u>(8,777)</u>	<u>(6%)</u>	<u>(23,468)</u>	<u>(20,267)</u>	<u>16%</u>

Loss and comprehensive loss for the three months ended December 31, 2025 decreased by 6% compared to the same period in 2024, with no significant variance. Loss and comprehensive loss for the year ended December 31, 2025 increased by 16% compared to the same period in 2024, primarily attributable to the write-off of E&E assets and an increase in Jixing-related operating expenses.

CAPITAL EXPENDITURES

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
PP&E						
Power plant	161	–	N/A	225	–	N/A
Drilling, completion and workovers	–	–	N/A	–	(11)	(100%)
G&A costs capitalised	25	27	(7%)	106	112	(5%)
Total PP&E	<u>186</u>	<u>27</u>	<u>589%</u>	<u>331</u>	<u>101</u>	<u>228%</u>
E&E assets						
Land	–	–	N/A	2	–	N/A
Drilling, completion and workovers	–	–	N/A	–	19	(100%)
Total E&E assets	<u>–</u>	<u>–</u>	<u>N/A</u>	<u>2</u>	<u>19</u>	<u>(89%)</u>
Total PP&E and E&E assets	<u>186</u>	<u>27</u>	<u>589%</u>	<u>333</u>	<u>120</u>	<u>178%</u>

In the three months and year ended December 31, 2025, the Company capitalised a total of C\$0.03 million and C\$0.11 million (2024: C\$0.05 million and C\$0.11 million), respectively, of G&A expenses in accordance with its accounting policies (refer to Note 4 in the Financial Statements).

For the year ended December 31, 2024, the PP&E capital expenditure recovery relates to changes in the accrual for a project in its Voyager CGU to optimise production during December 2023 and the cost of drilling, completion and workovers in the Company's E&E assets was written off due to the sale of the asset on April 1, 2024.

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 optimise 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, term debt, long-term accounts payable, convertible debentures, other liabilities, lease liabilities and working capital. To assess capital and operating efficiency and financial strength, the Company continually monitors its net debt. As disclosed in Note 3 of the Financial Statements, the Company's future viability is dependent on its ability to source additional capital on acceptable terms.

Capital structure of the Company

The Company's capital structure is as follows:

<i>C\$ 000s</i>	As at December 31, 2025	As at December 31, 2024
Non-current portion of long-term debt ⁽¹⁾	–	9,102
Non-current portion of long-term payable ⁽⁵⁾	23,653	20,052
Non-current lease liabilities ⁽²⁾	13	11
Net working capital deficit ⁽²⁾	30,973	16,277
	<hr/>	<hr/>
Net debt	54,639	45,442
Shareholders' deficit ⁽³⁾	(39,382)	(21,461)
	<hr/>	<hr/>
Total	15,257	23,981
	<hr/>	<hr/>
Gearing ratio⁽⁴⁾	358%	189%
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- 1 Represents the fair value of the long-term portions of the shareholder loans, CIMC Loan and Jixing Loan.
- 2 Net working capital consists of current assets less current liabilities the current portions of lease liabilities, CIMC Loan and Jixing Loan term debts, shareholder loans, convertible debentures, other loans and long-term payable are included in net working capital.
- 3 As at December 31, 2025, the Company has 617,264,159 common shares issued.
- 4 Gearing ratio is defined as net debt as a percentage of total capital.
- 5 Long-term 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 Loan and Jixing Loan have been paid in full.

Performance services guarantee (“PSG”) facility

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada (“EDC”) 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. On February 25, 2025, the aggregate PSG was reduced to C\$0.78 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 collateralised, 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, 2025, the Company has PSG coverage for the following L/C:

Amount	Expiry
C\$650,000	March 16, 2026

During the year ended December 31, 2025, the holder of the C\$0.08 million letter of credit (“L/C”) called the L/C, and the PSG facility covered the amount. The Company repaid the called L/C to EDC in equal monthly installments over six months commencing in May 2025, and the balance has been fully repaid in January 2026.

The PSG facility has a 12 month term and must be renewed annually. The current term expires on March 16, 2026. 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 collateralise them.

Subsequent to the year end December 31, 2025, upon the expiry of the L/C, no renewal of the L/C has been obtained. As such, the Company then required to cash-collateralise the PSG facility.

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.

Loans and convertible debentures

During the year ended December 31, 2025, the Company received C\$1.78 million of funds from a shareholder for which the loan agreement is interest free, unsecured and no fixed terms of repayment.

On March 19, 2025, the Company entered into a convertible debenture agreement with an independent third party for approximately US\$1.52 million (equivalent to approximately C\$2.11 million), bearing interest of 9% per annum payable monthly and maturing on December 10, 2025 (the “**December Debenture**”). The Company may repay, with mutual agreement of the lender, the December Debenture in full or part upon maturity, including accrued and unpaid interest, in cash or with common shares at a deemed price of HK\$0.20 per common share or one common share for each US\$0.02571 of the December Debenture outstanding including accrued and unpaid interest. Due to certain administrative procedures, the conversion of the December Debenture did not commence on the maturity date. Subsequently, on March 2, 2026, the Company issued 42,028,438 common shares to convert part of the principal amount of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million). The remaining principal of approximately US\$0.44 million (equivalent to approximately C\$0.60 million) and accrued and unpaid interest of approximately US\$0.10 million (equivalent to approximately C\$0.14 million) were transferred into a separate loan agreement with the lender.

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for US\$1.60 million (equivalent to approximately C\$2.18 million), bearing interest of 12% per annum payable monthly, and matures on July 24, 2025 (the “**July Debenture**”). Upon maturity on July 24, 2025, the principal amount of US\$1.60 million (equivalent to approximately C\$2.2 million) was converted into 62,548,866 common shares of the Company, which were allotted and issued under the 2024 General Mandate on August 1, 2025. The accrued and unpaid interest of approximately US\$0.19 million (equivalent to approximately C\$0.26 million) was transferred into a separate loan agreement with the lender.

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 US\$8.00 million (the “**Jixing Loan**”), and US\$3.50 million from CIMC Leasing USA, Inc. (the “**CIMC Loan**”) on March 27, 2023. The Jixing Loan has 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 US\$200,031.

The CIMC Loan has 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 US\$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. The Company was unable to repay the amounts foregone payments during the Grace Period on April 25, 2025. As at the date of this MD&A, CIMC has not called the loans, and the Company is negotiating with CIMC to extend the Grace Period and/or renegotiate the terms of the loans.

During the year ended December 31, 2025, the Company made one repayment of interest of C\$25,888 and principal payment of C\$99,249.

As at December 31, 2025, there are fourteen months (2024: three months) of interests together with principal payments on Jixing Loan of approximately C\$3.84 million (equivalent to approximately US\$2.80 million) (2024: C\$0.86 million (equivalent to approximately US\$0.60 million)) and on the CIMC Loan of approximately C\$1.68 million (equivalent to approximately US\$1.23 million) (2024: C\$0.38 million (equivalent to approximately US\$0.26 million)), in arrears.

Share issuance

On November 3, 2025, the Company completed the placing issuing 11.16 million common shares at a price of HK\$0.31 per share for gross proceeds of approximately HK\$3.46 million (equivalent to approximately C\$0.62 million).

On October 30, 2025, the Company entered into an agreement to issue approximately 1.99 million common shares at a price of HK\$0.279 per share as an exit payment to a departing executive officer. On December 16, 2025, the Company and the executive officer mutually agreed to terminate the proposed issuance of the exit shares.

On October 31, 2025, the Company, Jixing Energy, and Mr. Liu entered into a loan capitalisation agreement, pursuant to which (i) a shareholder's loan of C\$3,838,150 (equivalent to approximately HK\$21,337,280) will be settled in full, and (ii) C\$7,494,290 (equivalent to approximately HK\$41,662,720) of outstanding debt will be settled through the issuance of 210,000,000 common shares at a price of HK\$0.30 per share. Based on the closing market price of HK\$0.305 per share on October 31, 2025, the capitalisation shares had a market value of approximately HK\$64,050,000. The transaction was approved by the shareholders of the Company at the Special General Meeting held on February 13, 2026, and the issuance of the capitalisation shares was completed on March 2, 2026.

On September 19, 2025 the Company completed the placing issuing 12.89 million common shares at a price of HK\$0.33 per common share for gross proceeds of approximately HK\$4.25 million (equivalent to approximately C\$0.75 million).

On September 19, 2025 the Company completed the placing issuing 7.78 million common shares at a price of HK\$0.436 per common share for gross proceeds of approximately HK\$3.39 million (equivalent to approximately C\$0.59 million).

On May 29, 2024 the Company completed the placing issuing 33 million common shares at a price of HK\$0.22 per common share for gross proceeds of approximately HK\$7.26 million (equivalent to approximately C\$1.26 million).

On February 8, 2024, the Company completed the placing issuing 30 million common shares at a price of HK\$0.24 per common share for gross proceeds of approximately HK\$7.20 million (equivalent to approximately C\$1.28 million).

Working capital and going concern basis

As at December 31, 2025 the Company had a working capital deficiency of C\$30.97 million, generated a loss from operations of C\$6.88 million and C\$19.71 million for the three months and year ended December 31, 2025, respectively.

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 CIMC Loan and Jixing 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 October 2025 Subscription

C\$000,000

Business objective as stated in the announcement¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2025²	Actual use of net proceeds during the period from the Closing Date to December 31, 2025²	Proceeds unused
General working capital	100%	0.62	0.62	–
Total	100%	0.62	0.62	–

Notes:

- (1) Refer to the Company's announcement dated October 13, 2025.
- (2) The October 2025 subscription was closed on November 3, 2025.

Use of proceeds from the September 2025 Subscription

C\$000,000

Business objective as stated in the announcement¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2025²	Actual use of net proceeds during the period from the Closing Date to December 31, 2025²	Proceeds unused
General working capital	100%	0.75	0.75	–
Total	100%	0.75	0.75	–

Notes:

- (1) Refer to the Company's announcement dated September 5, 2025.
- (2) The September 2025 subscription was closed on September 19, 2025.

Use of proceeds from the August 2025 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2025 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2025 ²	Proceeds unused
General working capital	100%	0.59	0.59	–
Total	100%	0.59	0.59	–

Notes:

- (1) Refer to the Company's announcement dated August 14, 2025.
- (2) The August 2025 subscription was closed on September 19, 2025.

Use of proceeds from the March 2024 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2024 ²	Proceeds unused
General working capital	100%	1.26	1.26	–
Total	100%	1.26	1.26	–

Notes:

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

Use of proceeds from the November 2023 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2024 ²	Proceeds unused
General working capital	100%	1.28	1.28	–
Total	100%	1.28	1.28	–

Notes:

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

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

SHARES, WARRANTS, CONVERTIBLE DEBENTURE AND STOCK OPTIONS OUTSTANDING

Common Shares

On October 10, 2025, 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 approximately 11.16 million common shares at a price of HK\$0.31 per common share. On November 3, 2025 the Company completed the placing for gross proceeds of approximately HK\$3.46 million (equivalent to approximately C\$0.62 million).

On September 5, 2025, 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 approximately 12.89 million common shares at a price of HK\$0.33 per common share. On September 19, 2025 the Company completed the placing for gross proceeds of approximately HK\$4.25 million (equivalent to approximately C\$0.75 million).

On August 14, 2025 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 approximately 7.78 million common shares at a price of HK\$0.436 per common share. On September 19, 2025 the Company completed the placing for gross proceeds of approximately HK\$3.39 million (equivalent to approximately C\$0.59 million).

On August 1, 2025, the Company settled the principal portion on the convertible debenture maturing on July 24, 2025 of US\$1.60 million (equivalent to approximately C\$2.18 million) by issuing 62,548,866 common shares of the Company.

On March 14, 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 approximately HK\$7.26 million (equivalent to approximately C\$1.26 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 approximately HK\$7.20 million (equivalent to approximately C\$1.28 million).

As at December 31, 2025, the Company has 617,264,159 common shares outstanding and 869,292,597 common shares outstanding as at the date of this MD&A.

Convertible debentures

On March 19, 2025, the Company entered into a convertible debenture agreement with an independent third party for approximately US\$1.52 million (equivalent to approximately C\$2.11 million), bearing interest of 9% per annum payable monthly and maturing on December 10, 2025 (the “**December Debenture**”). The Company may repay, with mutual agreement of the lender, the December Debenture in full or part upon maturity, including accrued and unpaid interest, in cash or with common shares at a deemed price of HK\$0.20 per common share or one common share for each US\$0.02571 of the December Debenture outstanding including accrued and unpaid interest. Due to certain administrative procedures, the conversion of the December Debenture did not commence on the maturity date. Subsequently, on March 2, 2026, the Company issued 42,028,438 common shares to convert part of the principal amount of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million). The remaining principal of approximately US\$0.44 million (equivalent to approximately C\$0.60 million) and accrued and unpaid interest of approximately US\$0.10 million (equivalent to approximately C\$0.14 million) were transferred into a separate loan agreement with the lender.

On July 24, 2024 the Company entered into a convertible debenture agreement with an independent third party for US\$1.60 million (equivalent to approximately C\$2.18 million), bearing interest of 12% per annum payable monthly, and matures on July 24, 2025 (the “**July Debenture**”). Upon maturity on July 24, 2025, the principal amount of US\$1.60 million (equivalent to approximately C\$2.18 million) was converted into 62,548,866 common shares of the Company, which were allotted and issued under the 2024 General Mandate on August 1, 2025. The accrued and unpaid interest of approximately US\$0.19 (equivalent to approximately C\$0.26 million) million was transferred into a separate loan agreement with the lender.

Refer to Note 13 in the Financial Statements for additional information on the valuation of the debt and derivative components related to the convertible debentures.

As at December 31, 2025, the Company has accrued and unpaid interest of C\$0.29 million against the December Debenture and July Debenture.

Share Options

The Company has a share option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (“**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, 2025 and as at the date of this MD&A, the Company has no options outstanding (2024: 3.08 million).

COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company’s business. Refer to Note 26(b) and Note 28 of the Audited Financial Statements for disclosure of the Company’s commitments and contingencies.

DIVIDEND

The Board did not recommend or declare the payment of any dividend for the three months and years ended December 31, 2025 and 2024.

RELATED PARTY TRANSACTIONS

Refer to Notes 10, 18 and 20 of the Interim Statements and Notes 13, 26 and 28 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 years ended December 31, 2025 and 2024.

PLEDGED ASSETS

As disclosed in this MD&A, certain physical property and plant and equipment assets with a cost of approximately C\$5.22 million (2024: approximately C\$5.22 million) are pledged in support of the Company's debt arrangements. The Company's remaining assets are not pledged as security.

CONTINGENT LIABILITIES

As at December 31, 2025 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, 2025 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

On January 22, 2026, the Company and Jixing have entered into Amendment to Gas Handling Agreement and Amendment to Voyager Compression Agreement (collectively the "**Amendments to Jixing GHCA**"). Under Amendment to Gas Handling Agreement, the gas handling charges originally shall accrue for the years 2026 and 2027 are then deferred to the years 2028 and 2029, respectively. Under Amendment to Voyager Compression Agreement, payment and expenses of the 2026 gas compression charges are deferred to the year 2028.

On March 2, 2026, the Company issued 42,028,438 common shares to convert part of the principal portion of the December Debenture of US\$1.08 million (equivalent to C\$1.48 million). The Company also entered into a other loan agreement with the lender to transfer the remaining principal of US\$0.44 million (equivalent to C\$0.60 million) and accrued and unpaid interest of US\$0.10 million (equivalent to C\$0.14 million) as other loan.

On October 31, 2025, the Company, Jixing and Yongtan Liu has entered into the loan capitalisation agreement (the “**Loan Capitalisation Agreement**”), pursuant to which the parties thereto have agreed that the (i) aggregated amount of C\$3,838,150 due from the Company to Yongtan Liu and/or Jixing as at the date of the Loan Capitalisation Agreement will be settled in full; and (ii) C\$7,494,290 out of the C\$33,157,678 long-term payable by the Company to Jixing will be settled, through the allotment and issue of 210,000,000 new common shares at HK\$0.30 per common share to Yongtan Liu.

Upon the completion of the allotment and issuance of common shares on March 2, 2026, the 2019 Shareholder Loan, 2020 Shareholder Loan, 2024 Shareholder Loan and partial of the 2025 Shareholder Loan will be settled in full by shares.

Details are set out in the announcements of the Company dated November 3, 2025, January 29, 2026 and March 2, 2026.

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 analyse 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, CIMC and Jixing Loans, convertible debentures 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 amortised cost.

The Company’s convertible debentures are classified as measured at fair value through profit or loss. The derivative component of the convertible debentures are revalued at each reporting period in accordance with the Company’s accounting policies (refer to Note 4 in the Financial Statements). Refer to Note 27 of the Financial Statements for details on the valuation of the derivatives related to the convertible debentures.

The Company did not enter into any financial derivatives contracts for the three months and years ended December 31, 2025 and 2024. For the three months and year ended December 31, 2025, the Company experienced an unrealised foreign exchange gain of C\$0.2 million and C\$0.7 million (2024: loss of C\$0.9 million and C\$1.2 million), respectively. These foreign exchange losses are predominantly related to the revaluation of term debt held in United States Dollars and the value changes with the fluctuation in the US\$/C\$ 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 2 employees as at December 31, 2025 (2024: 3 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, including directors' fees, for the three months and year ended December 31, 2025 totaled C\$0.53 million and C\$1.0 million, including C\$0.4 million of severance (2024: C\$0.13 million and C\$1.0 million, including C\$0.39 million of severance), 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 recognised 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 the amendments to an IFRS Accounting Standard effective from January 1, 2025. For the purpose of preparing the financial statements, the Company has applied the applicable amendments to IFRS Accounting Standard for the year ended December 31, 2025.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2025 and ending December 31, 2025, Mr. Binyou Dai in the capacity as Chief Executive Officer (“**CEO**”), and Ms. Jun Xiang as 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, summarised and reported within the time period specified in securities legislation.

For the period starting January 1, 2025 and ending December 31, 2025, Mr. Binyou Dai and Ms. Jun Xiang, 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 authorised 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 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, 2025 and ending on December 31, 2025 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, 2025. 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 recapitalisation 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, 2025. 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 authorisations, 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 recognised measures under IFRS, and do not have a standardised meaning prescribed by IFRS Accounting Standard. 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 Accounting Standard as an indication of the Company's performance.

Operating netback

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
Commodity sales from production	2,112	1,174	80%	7,401	4,968	49%
Net trading revenue	1	–	N/A	3	1	183%
Royalties	(247)	(78)	217%	(613)	(88)	597%
Operating costs	<u>(3,910)</u>	<u>(3,358)</u>	<u>16%</u>	<u>(15,594)</u>	<u>(13,501)</u>	<u>16%</u>
Operating netback	<u>(2,044)</u>	<u>(2,262)</u>	<u>(10%)</u>	<u>(8,803)</u>	<u>(8,620)</u>	<u>2%</u>

Adjusted EBITDA

<i>C\$000s</i>	Three months ended December 31,			Year ended December 31,		
	2025	2024	Change	2025	2024	Change
(Loss) and comprehensive (loss)	(8,272)	(8,777)	(6%)	(23,468)	(20,267)	16%
Finance expenses	838	1,553	(46%)	3,264	4,067	(20%)
DD&A	541	11	4818%	2,119	1,475	44%
Cash deferred operating expenses ¹	2,382	2,029	17%	9,530	7,980	19%
Non-cash share-based expenses	1	4	(75%)	6	16	(63%)
Phantom unit expense	–	26	(100%)	–	16	(100%)
E&E assets write-offs	–	130	(100%)	3,764	148	2443%
PPE write-offs	–	3	(100%)	–	3	(100%)
Impairment	<u>3,360</u>	<u>4,320</u>	<u>(22%)</u>	<u>3,360</u>	<u>4,320</u>	<u>(22%)</u>
Adjusted EBITDA	<u>(1,150)</u>	<u>(702)</u>	<u>64%</u>	<u>(1,425)</u>	<u>(2,242)</u>	<u>(36%)</u>

- (1) Cash deferred operating expenses represent the OPEX incurred pursuant to the agreement with the Company's related party. Under the Company's current long-term debt agreements, the majority of the Jixing operating expenses are cash deferred. See Notes 13 and 26 of the Financial Statements for details on the Jixing related agreements.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”) to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the relevant code provisions contained in the CG Code during the year ended December 31, 2025 (the “**Reporting Period**”), save for the deviation from C.2.1 of the CG Code as explained below.

During the three months ended March 31, 2024, Mr. Yongtan Liu was the chairman of the Board (the “**Chairman**”) and Mr. Pingzai Wang was the Company’s CEO. Following the resignation of Mr. Wang as CEO on February 14, 2024 and the appointment of Mr. Liu as interim chief executive officer of the Company on February 14, 2024, Mr. Liu acts as the chairman of the Board and interim chief executive officer of the Company. This deviates from code provision C.2.1 of the CG Code, whereby the roles of chairman and the chief executive should be separate and should not be performed by the same individual.

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

In October 2025, the Company regularised its corporate governance structure in accordance with code provision C.2.1 of the CG Code. On October 24, 2025, Mr. Yongtan Liu resigned as the interim Chief Executive Officer to focus on the strategic direction and overall leadership of the Board, while continuing to serve as its Chairman. Effective from October 31, 2025, Mr. Binyou Dai, an Executive Director and the Company’s Chief Operating Officer, was appointed as Chief Executive Officer. With this appointment, the roles of Chairman and Chief Executive Officer are now segregated, thereby aligning the Company’s governance practices with the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On November 3, 2025, the Company completed a private placement issuing approximately 11.16 million common shares at a price of HK\$0.31 per common share for gross proceeds and net proceeds (after deducting all related expenses) from the Subscription Shares amounted to approximately C\$0.62 million (equivalent to approximately HK\$3.46 million) and approximately C\$0.60 million (equivalent to approximately HK\$3.34 million), respectively. Each Subscription Share has no par value. The net Subscription Price, after deduction of all related expenses, is approximately HK\$0.299 per Subscription Share.

On September 19, 2025, the Company completed a private placement issuing approximately 7.78 million common shares at a price of HK\$0.436 per common share for gross proceeds and net proceeds (after deducting all related expenses) from the Subscription Shares amounted to approximately C\$0.59 million (equivalent to approximately HK\$3.39 million) and approximately C\$0.58 million (equivalent to approximately HK\$3.29 million), respectively. Each Subscription Share has no par value. The net Subscription Price, after deduction of all related expenses, is approximately HK\$0.423 per Subscription Share.

On September 19, 2025, the Company completed a private placement issuing approximately 12.89 million common shares at a price of HK\$0.33 per common share for gross proceeds and net proceeds (after deducting all related expenses) from the Subscription Shares amounted to approximately C\$0.75 million (equivalent to approximately HK\$4.25 million) and approximately C\$0.73 million (equivalent to approximately HK\$4.15 million), respectively. Each Subscription Share has no par value. The net Subscription Price, after deduction of all related expenses, is approximately HK\$0.322 per Subscription Share.

On August 1, 2025, the Company issued 62,548,866 common shares at a price of HK\$0.20 per common share to convert the principal portion of the convertible debt in the amount of US\$1.60 million (equivalent to approximately C\$2.18 million) pursuant to the convertible debt agreement dated July 24, 2024. Each common share ranks pari passu with, and carries the same rights in all respects as, the existing issued common shares.

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

REVIEW OF THE ANNUAL RESULTS

The annual results announcement of the Company for the year ended December 31, 2025, was reviewed by the audit and risk committee of the Company (the “**Audit and Risk Committee**”) and approved by the Board. The financial figures in respect of the Company’s financial statements for the year ended December 31, 2025 as set out in the announcement in relation to the annual results for the year ended December 31, 2025 have been compared by the Company’s auditor, Moore CPA Limited, (the “**Auditor**”), to the amounts set out in the Company’s financial statements for the year ended December 31, 2025 and the amounts were found to be in agreement.

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

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

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Company's audited financial statements for the year ended December 31, 2025. The report includes paragraphs of material uncertainty related to going concern, without modification:

In our opinion, the accompanying financial statements give a true and fair view of, the financial position of the Company as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the financial statements, during the year ended December 31, 2025, the Company incurred a loss of C\$23,467,769 and as at December 31, 2025, the Company had net current liabilities of C\$30,972,581 and net liabilities of C\$39,382,085, respectively. These conditions, along with other matters as set forth in Note 3 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF INFORMATION

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

SELECTED ABBREVIATIONS

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

Crude oil and natural gas liquids

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

Natural gas

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

Other

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

CONVERSION FACTORS — IMPERIAL TO METRIC

Bbl = 0.1590 cubic metres (m³)

Mcf = 0.0283 cubic metres (10³m³)

acres = 0.4047 hectares (ha)

Btu = 1054.615 joules (J)

feet (ft) = 0.3048 metres (m)

miles (mi) = 1.6093 kilometres (km)

pounds (Lb) = 0.4536 kilograms (kg)