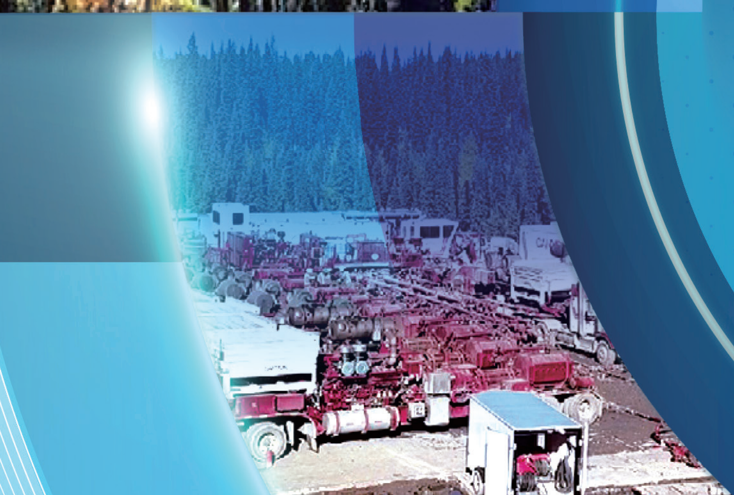
JX Energy Ltd.

吉星新能源有限責任公司*

(incorporated under the laws of Alberta with limited liability)
Stock code: 3395

* For identification purpose only



2025

ANNUAL REPORT

About

JX Energy Ltd.

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

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FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(Expressed in Canadian dollars)

	Three months ended December 31,			Year ended December 31,		
C$000 except per share and boe	**2025**	2024	Change	**2025**	2024	Change
Production revenue	**2,112**	1,174	80%	**7,401**	4,968	49%
Net trading revenue (loss)	**1**	–	(100%)	**4**	2	79%
Operating netback[1]	**(2,044)**	(2,262)	(10%)	**(8,802)**	(8,619)	2%
Income (loss) per share						
(basic and diluted)	**(0.01)**	(0.02)	(50%)	**(0.04)**	(0.04)	19%
Daily average sales volumes (boe/d)	**1,103**	703	57%	**1,083**	631	72%

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

ASSETS AND LIABILITIES – FIVE YEAR ANNUAL

	As at December 31,				
C$000	**2025**	2024	2023	2022	2021
Total assets	**18,405**	25,888	35,508	52,399	52,982
Total liabilities	**(57,787)**	(47,349)	(41,008)	(43,721)	(47,968)
Total net assets	**(39,382)**	(21,461)	(5,500)	8,678	5,014
Share capital	**229,265**	222,418	220,213	219,803	215,922
Warrants	**–**	–	–	647	647
Contributed surplus	**13,526**	15,193	13,092	5,886	2,524
Accumulated deficit	**(282,173)**	(259,072)	(238,805)	(217,659)	(214,079)
Total equity	**(39,382)**	(21,461)	(5,500)	8,678	5,014

SELECTED ANNUAL INFORMATION – FIVE YEAR ANNUAL

	Year ended December 31,				
	2025	2024	2023	2022	2021
Average Daily Production					
Natural gas (mcf/d)	**5,972**	3,295	9,053	10,042	12,416
Crude oil (bbls/d)	**30**	34	60	66	77
NGLs and condensate (bbls/d)	**51**	34	77	70	96
Total production (boe/d)	**1,077**	617	1,646	1,810	2,243
Average Daily Trading					
Natural gas (boe/d)	**6**	14	30	37	25
Total Sales Volume (boe/d)	**1,083**	631	1,676	1,847	2,268

	Year ended December 31,				
	2025	2024	2023	2022	2021
Financial					
C$000s except share amounts					
Production revenue	**7,401**	4,968	13,561	26,802	21,480
Net trading revenue	**3**	2	(22)	152	(11)
Royalties	**(613)**	(88)	(1,084)	(4,669)	(2,663)
Operating costs	**(15,594)**	(13,501)	(13,951)	(12,825)	(14,383)
Operating netback[1]	**(8,803)**	(8,619)	(1,496)	9,461	4,423
Net income (loss)[4]	**(23,468)**	(20,267)	(21,146)	(3,579)	(4,809)
Net working capital[2]	**(30,973)**	(16,278)	(13,120)	(36,968)	(22,740)
Total assets	**18,405**	25,888	35,508	52,399	52,982
Long term debt[2]	**–**	(9,102)	(11,553)	–	(17,355)
Capital expenditures[3]	**333**	119	538	6,175	8,623
Income (loss) per share (basic and diluted)	**(0.04)**	(0.04)	(0.05)	(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, net working capital includes C$2.2 million of new convertible debt that was mature in 2025. As at December 31, 2024, net working capital includes C$3 million shareholder debt which matured at December 31, 2024 and C$5 million of subordinated debt payments due in 2022. As at December 31, 2022, net working capital includes C$15.75 million of long term debt which was repaid on March 27, 2024, and C$2.6 million of shareholder loans originally due for repayment in 2024 which were amended to be due for repayment in 2025 subsequent to year end and further extended to 2025 on December 19, 2024.

(3) Capital expenditures consist of total expenditures for property, plant and equipment plus exploration and evaluation assets.

(4) As at December 31, 2025 net income reflects the impact of operations being shut in for part of the year. As at December 31, 2025 and 2024, net income includes impairments on the Company's oil and gas assets primarily due to reductions in future commodity prices for oil and gas.

RESERVES SUMMARY

As at December 31, 2025	Total Mboe	Reserve Composition (%) Natural gas	Other[1]
Gross Proved Reserves	**2,800**	**93%**	**7%**
Gross Proved plus Probable Reserves	**3,547**	**93%**	**7%**

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

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

The reserves data provided in this annual report is based upon the report of GLJ effective December 31, 2025, with an execution date of March 5, 2026 (the "**GLJ Report**"). GLJ is an independently qualified reserves evaluator and auditor based in Calgary, Alberta, Canada. The estimate of Gross Proved and Probable Reserves as at December 31, 2025 and 2024 assumes forecast prices and costs as at the execution date of the GLJ Report.

2025 was a year of continued volatility and transition for JX Energy Ltd. ("**JX**" or the "**Company**"). Global commodity markets remained uncertain, influenced by geopolitical developments, evolving trade conditions and broader macroeconomic factors. Natural gas prices in Western Canada experienced significant fluctuations throughout the year, with prices declining in the first three quarters of 2025 and reaching relatively low levels during the third quarter. However, market conditions improved toward the end of the year, and natural gas prices strengthened in the fourth quarter, supported by seasonal demand and improved fundamentals.

Against this backdrop, the Company took prudent measures to manage its operations and preserve long-term value. In response to sustained weakness in commodity prices, JX temporarily curtailed production beginning in early July 2025 for approximately three and a half months. Production resumed in October 2025 as market conditions improved. While this strategic decision impacted short-term revenues, it enabled the Company to preserve reserves and mitigate losses from uneconomic production. Despite these headwinds, the recovery in natural gas prices in the fourth quarter contributed significantly to the Company's revenue for the year.

During 2025, the Company continued to strengthen its capital structure and liquidity position. On March 19, 2025, the Company entered into a convertible debenture agreement for approximately US$1.52 million, bearing interest at 9% per annum. In addition, the principal amount of the July 2024 convertible debenture of US$1.60 million was fully converted into common shares upon maturity in July 2025. During 2025, the Company also completed several equity placings to issue a total of approximately 31.83 million common shares at prices ranging from HK$0.31 to HK$0.436 per share, for aggregate gross proceeds of approximately HK$11.10 million (approximately C$1.96 million), to support its operations and strategic initiatives.

A key milestone for the Company in 2025 was the advancement of its natural gas power generation strategy. On July 25, 2025, the Company announced its plan to develop a 9.6MW natural gas power project, and subsequently approved an additional 4.7MW distributed generation project in November 2025, which can be implemented without requiring the same level of regulatory approval. These projects are expected to diversify the Company's revenue streams and enhance the value of its natural gas resources by enabling the Company to generate electricity for both internal use and external markets. As at December 31, 2025, initial expenditures had been incurred to advance the engineering, procurement and construction phase. Subsequent to the year end, on January 6, 2026, the Company received primary regulatory approval from Alberta Environment and Protected Areas for the 9.6MW project, with the approved capacity adjusted to 9.5MW, marking an important step forward in its implementation.

LOOKING AHEAD

Looking ahead, the Company remains cautiously optimistic regarding the outlook for natural gas markets. The improvement in commodity prices observed in the fourth quarter of 2025 has continued into early 2026, supported by seasonal demand and improving market conditions. However, price volatility remains, and the Company will continue to adopt a prudent and flexible operational strategy in response to market dynamics.

The Company resumed full production in late 2025 and intends to maintain stable production levels while optimizing operational efficiency. In addition, the Company has entered into hedging arrangements covering approximately 7,000 GJ per day for 2026 at prices ranging from C$3.04 to C$3.11 per GJ, which are expected to provide greater revenue certainty and support cash flow stability.

The Company will continue to advance its natural gas power generation projects, which represent a key strategic initiative to diversify income sources and enhance long-term value creation. These projects are expected to position the Company to benefit from increasing electricity demand in Alberta while leveraging its existing natural gas assets.

CHAIRMAN'S STATEMENT

At the same time, the Company will maintain a disciplined approach to capital management, evaluating opportunities to strengthen its financial position through a combination of equity financing and other funding alternatives, subject to market conditions and regulatory requirements.

On behalf of the Board of Directors, I would like to express my sincere appreciation to our management team and employees for their dedication, resilience and professionalism demonstrated throughout a challenging year. I would also like to extend our heartfelt gratitude to our shareholders, customers, business partners and all stakeholders for their continued confidence in and support of the Company as we advance our corporate initiatives. As the Company navigates an evolving energy landscape, we remain committed to strengthening our operational foundation, advancing our strategic initiatives and delivering sustainable long-term value to our shareholders. At the same time, we will continue to pursue opportunities arising from increasing global demand for LNG and emerging applications such as cryptocurrency mining, where natural gas can be utilised to generate power for energy-intensive operations. To achieve these objectives, the Company must maintain a global vision and operate with the highest standards of professionalism and efficiency. I firmly believe that the dedication of our employees and the leadership of the Board of Directors will continue to drive the Company forward and demonstrate our determination to succeed.

Yongtan Liu
Chairman
Calgary, Canada, March 27, 2026

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Below are the brief profiles of the Directors and senior management of the Company as at December 31, 2025 and the date of this annual report.

DIRECTORS

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

Name	Age	Position	Date of Appointment/ Resignation as Director
Executive Directors			
Mr. Yongtan Liu	70	Chairman of the Board and Executive Director	December 2019
Mr. Binyou Dai	56	Chief Executive Officer[1] and Executive Director	February 2024
Independent non-Executive Directors			
Mr. Zhanpeng Kong	62	Independent non-Executive Director	August 2023
Ms. Kit Man To	56	Independent non-Executive Director	December 2024
Ms. Jia Wei	54	Independent non-Executive Director	December 2024

(1) Appointed on October 31, 2025

Executive Directors

Mr. Yongtan Liu, aged 70, is an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, and a member of the Remuneration Committee of the Board. Mr. Liu was appointed to the Board on December 18, 2019, and appointed as the Interim Chief Executive Officer on February 14, 2024. He resigned as the Interim Chief Executive Officer on October 24, 2025.

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

Mr. Binyou Dai, aged 56, joined the Company in June 2009. He was appointed as Vice President, Engineering on March 31, 2014, Chief Operating Officer on May 1, 2020, an Executive Director of the Company on February 14, 2024, and was subsequently appointed as the Chief Executive Officer on October 31, 2025. Mr. Dai has over 33 years of experience in the natural gas and oil industry and has been involved in the natural gas and oil engineering and facilities development of the Company.

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

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

Independent non-Executive Directors

Mr. Zhanpeng Kong, aged 62, is an independent non-Executive Director and member of the Audit and Risk Committee and Remuneration Committee of the Board. Mr. Kong has extensive experience in corporate management and business development.

Since October 2023, he has been serving as the co-chairman of Global Corn Group Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 3889), which is principally engaged in corn processing and the production and sale of corn-based products. Since 2021, Mr. Kong has been a shareholder and director of Sharp Hover Group Limited, where he is responsible for overseeing investment and business development. The company is principally engaged in property investment and commodity supply chain trading and financing in Mainland China. Previously, Mr. Kong served as the chief executive officer of Global Bio-chem Technology Group Company Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 809), from October 2015 to October 2018. He also served as the chairman and an executive director of Global Sweeteners Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong (stock code: 3889), from September 2007 to December 2018, and as its chief executive officer from May 2014 to October 2015.

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

Ms. Kit Man To, aged 56, was appointed to the Board on December 24, 2024 and is an independent non-Executive Director and Chairman of the Audit and Risk Committee, and member of the Nomination Committee of the Board.

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

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

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

Ms. Jia Wei, aged 54, was appointed to the Board on December 24, 2024 and is an independent non-Executive Director and Chairman of the Remuneration Committee, and member of the Nomination and Audit and Risk Committees of the Board.

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

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

SENIOR MANAGEMENT

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

Name	Age	Year Joined	Position
Mr. Yongtan Liu	70	2024	Appointed Interim Chief Executive Officer on February 14, 2024[1].
Mr. Binyou Dai	56	2009	Vice President Engineering, appointed Chief Operating Officer on May 1, 2020 and appointed Chief Executive Officer on October 31, 2025.
Ms. Tara Leray	46	2022	Chief Financial Officer, appointed joint Company secretary on August 15, 2022[2].
Mr. Jun Xiang	44	2025	Appointed Chief Financial Officer and joint Company secretary on October 31, 2025.

(1) Resigned as the Interim Chief Executive Officer on October 24, 2025
(2) Resigned as Chief Financial Officer and joint company secretary on October 31, 2025

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yongtan Liu, aged 70, was appointed Interim Chief Executive Officer on February 14, 2024 and continues in his capacity as the Chairman of the Board, an Executive Director, and Chairman of the Nomination Committee and member of the Remuneration Committee of the Board. Mr. Liu resigned as the Interim Chief Executive Officer on October 24, 2025.

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

Mr. Binyou Dai, aged 56, joined the Company in June 2009, was appointed as Vice President, Engineering on March 31, 2014, and was appointed Chief Operating Officer on May 1, 2020. Mr. Dai has over 30 years of experience in the natural gas and oil industry and has been involved in the natural gas and oil engineering and facilities development of the Company. Mr. Dai was appointed as an Executive Director of the Company on February 14, 2024, and was appointed Chief Executive Officer on October 31, 2025.

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

Ms. Tara Leray, aged 46, is the Chief Financial Officer of the Company. Ms. Leray joined the Company in August 2022, replacing Mr. Meidl, and is responsible for financial management of the Company. On August 15, 2022, Ms. Leray was appointed as joint company secretary of the Company. Ms. Leray resigned as Chief financial Officer and joint company secretary of the Company on October 31, 2025. Ms. Leray has over 19 years of corporate finance, accounting and advisory experience across multiple industries, including upstream exploration and production, oilfield services, manufacturing and private equity, through her works in a number of private and public Canadian energy companies, an investment company and accounting firm.

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

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

Ms. Jun Xiang, aged 44, is the Chief Financial Officer of the Company. Ms. Xiang joined the Company in October 2025, replacing Mr. Leray, and is responsible for financial management of the Company. On October 31, 2025, Ms. Xiang was appointed as joint company secretary of the Company. Ms. Xiang has over 11 years of experience in the oil and gas industry, specializing in financial management and accounting services for mineral companies in Canada and the PRC. From September 2019 to September 2025, Ms. Xiang was the chief financial officer of Tartan Energy Group Inc., a Calgary-based oil and gas engineering and services company. From November 2015 to March 2019, Ms. Xiang was the Company's Interim Chief Financial Officer. During the period between February 2013 and November 2015, Ms. Xiang was the Financial Manager at Huadian Natural Gas Canada Limited, a subsidiary of China Huadian Corporation (中國華電集團公司), as well as a senior corporate accountant at Grande Cache Coal LP. Ms. Xiang also worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)), Deloitte Consulting (Beijing) Co., Ltd. (德勤管理諮詢(北京)有限公司) and Deloitte & Touche Financial Advisory Services Limited Beijing Branch (德勤諮詢(上海)有限公司北京分公司) from August 2006 to February 2013, and had participated in auditing, financial management consulting and financial due diligence engagements for major domestic and overseas oil and gas companies.

Ms. Xiang obtained her Bachelor of Economics degree from the University of International Business and Economics (對外經濟貿易大學) in July 2003 and her Master of Economics degree from Beijing University of Posts and Telecommunications (北京郵電大學) in April 2006. Ms. Xiang has been a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since August 2015 and a member of the Chartered Professional Accountants of Alberta, Canada since March 2014.

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 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 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 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)	**1,096**	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)	**1,103**	74	1,300	1,820	703	33	284	1,511
Financial								
C$000s except share amounts	**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)	**1,096**	685	60%	**1,076**	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

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

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

	Three months ended December 31,			Year ended December 31,		
C$000s	**2025**	2024	Change	**2025**	2024	Change
Natural gas, NGLs and condensate	**3,860**	3,271	18%	**15,300**	12,926	18%
Crude oil	**52**	87	(40%)	**294**	575	(49%)
Total operating expenses	**3,912**	3,358	16%	**15,594**	13,501	16%
Unit Cost (C$/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

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

	Three months ended December 31,			Year ended December 31,		
C$000s	**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")

	Three months ended December 31,			Year ended December 31,		
C$000s except per unit costs	**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

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

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

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

	Three months ended December 31,			Year ended December 31,		
C$000s	**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	**186**	27	589%	**331**	101	228%
E&E assets						
Land	**–**	–	N/A	**2**	–	N/A
Drilling, completion and workovers	**–**	–	N/A	**–**	19	(100%)
Total E&E assets	**–**	–	N/A	**2**	19	(89%)
Total PP&E and E&E assets	**186**	27	589%	**333**	120	178%

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:

C$000s	**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
Net debt	**54,639**	45,442
Shareholders' deficit[3]	**(39,382)**	(21,461)
Total	**15,257**	23,981
Gearing ratio[4]	**358%**	189%

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

Notes:

(1) Refer to the Company's announcement dated March 15, 2024.

(2) The March 2024 subscription was closed on May 29, 2024.

Use of proceeds from the November 2023 Subscription

C$000,000	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2024[2]	Actual use of net proceeds during the period from the Closing Date to December 31, 2024[2]	Proceeds unused
Business objective as stated in the announcement[1]				
General working capital	100%	1.28	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 SHARE 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

	Three months ended December 31,			Year ended December 31,		
C$000s	**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	**(3,910)**	(3,358)	16%	**(15,594)**	(13,501)	16%
Operating netback	**(2,044)**	(2,262)	(10%)	**(8,803)**	(8,620)	2%

Adjusted EBITDA

	Three months ended December 31,			Year ended December 31,		
C$000s	**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	**3,360**	4,320	(22%)	**3,360**	4,320	(22%)
Adjusted EBITDA	**(1,150)**	(702)	64%	**(1,425)**	(2,242)	(36%)

(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.

SELECTED ABBREVIATIONS

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

Crude oil and natural gas liquids

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

Natural gas

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

Other

km	kilometres
km^2	square kilometres
m	metres
m^3	cubic meters
mg	milligrams
ºC	degrees Celsius

CONVERSION FACTORS — IMPERIAL TO METRIC

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

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2025.

CORPORATE GOVERNANCE PRACTICES

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

For the year ended December 31, 2025 (the "**Year**"), save for the deviation from code provision C.2.1 of the CG Code as explained herein, the Company has complied with the CG Code.

COMPANY'S CULTURE

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

During 2025, the Company continued to strengthen its cultural framework by focusing on the following:

- **Vision:** to increase our shareholder value by continuing to exploit and develop our natural gas and oil asset base in our two core exploration and production areas to increase our reserves, production and cash flow.
- **Mission:** to achieve outstanding performance to maximize shareholder returns.
- **Values:** we will add value for our shareholders through the following strategies:
  - Enhancing the value of our oil and gas assets through increased operational efficiency, effective well placement and field development.
  - Pursuing potential acquisition opportunities with significant value appreciation.
  - Monitoring and evaluating opportunities presented with increased worldwide demand for Liquified Natural Gas.
  - Evaluating opportunities to provide natural gas for power generation for cryptocurrency mining.

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

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

THE BOARD

Responsibilities

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

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

Board Composition

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

Executive Directors:
Mr. Yongtan Liu *(Chairman of the Board and Interim Chief Executive Officer* ("**ICEO**") *– Resigned as ICEO on October 24, 2025)*
Mr. Binyou Dai *(Chief Executive Officer* ("**CEO**") *– Appointed as CEO on October 31, 2025)*

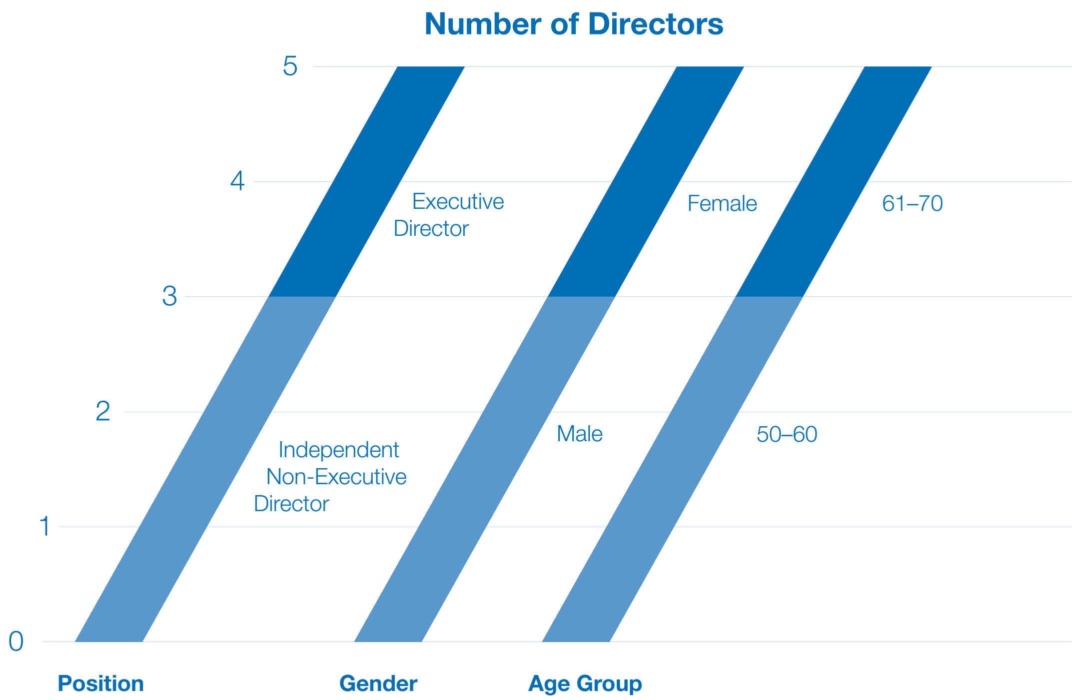
Independent non-executive Directors:
Mr. Zhanpeng Kong
Ms. Kit Man To
Ms. Jia Wei

During the year ended December 31, 2025, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Among the three independent non-executive Directors, Ms. Kit Man To have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Board Diversity Policy

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

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



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

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

Measurable Objective

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

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

The Board has not set any measurable objectives for the year ended December 31, 2025. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, and the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Workforce Diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2025 is 1 man: 2 women. The total gender diversity of the Company is balanced and the Company will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant date, please refer to the disclosure in the Environmental, Social and Governance report.

Confirmation of Independence by the Independent Non-executive Directors

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

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

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

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

Board Independence

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

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

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

Induction and Continuous Professional Development

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

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

During the Year, the Directors and senior management were regularly provided with updates on relevant laws, rules and regulations applicable to their roles, duties and functions as directors or senior executives of a listed company. All Directors, namely Mr. Yongtan Liu, Mr. Binyou Dai, Ms. Kit Man To, Mr. Zhangpeng Kong and, Ms. Jia Wei, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

In addition, each of Director and senior management has completed 15 hours of the "2025 Directors and Officers Training" provided by Vistra during the Year. Continuing briefing and professional development to Directors will also be arranged whenever necessary.

Chairman and Chief Executive Officer

The roles of the chairman of the Board and chief executive officer ("**CEO**") are segregated and assumed by two separate individuals who have no relationship with each other to ensure that the power and authority are not concentrated in any one individual for the purpose of code provision C.2.1 of the CG Code. Following the resignation of Mr. Wang as CEO on February 14, 2024 and the appointment of Mr. Liu as interim chief executive officer of the Company on February 14, 2024, Mr. Liu acts as the chairman of the Board and interim chief executive officer of the Company. This deviates from code provision C.2.1 of the CG Code, whereby the roles of chairman and the chief executive should be separate and should not be performed by the same individual.

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

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.

Appointment and Re-Election of Directors

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

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

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

Mr. Zhanpeng Kong signed appointment letter with the Company as independent non-executive Directors for an initial term of three years commencing from August 1, 2023.

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

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

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

Majority Voting Policy

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

Board Meetings and General Meetings

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

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

During the year ended December 31, 2025, seven board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu	7/7
Mr. Binyou Dai	7/7
Mr. Zhanpeng Kong	7/7
Ms. Kit Man To	7/7
Ms. Jia Wei	7/7

In addition to the above meetings, Mr. Yongtan Liu, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2025.

During the year ended December 31, 2025, one annual general and special meeting of shareholders was held and the attendance at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu	1/1
Mr. Binyou Dai	1/1
Mr. Zhanpeng Kong	1/1
Ms. Kit Man To	1/1
Ms. Jia Wei	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Year and as at the date of this Annual Report. In addition, the Company is not aware of any non-compliance of the Model Code by senior management of the Company during the Year and as at the date of this Annual Report.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

The Board has performed all the above corporate governance duties during the year ended December 31, 2025.

BOARD COMMITTEES

Nomination Committee

During the Year and up to the date of this annual report, the Nomination Committee was comprised of Mr. Yongtan Liu (chairman), Ms. Kit Man To and Ms. Jia Wei, the majority of whom are independent non-executive Directors.

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

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

During the year ended December 31, 2025, two meetings of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Yongtan Liu *(Chairman)*	2/2
Ms. Kit Man To	2/2
Ms. Jia Wei	1/2

The Nomination Committee assessed the independence of independent non-executive Directors, considered the reappointment of the retiring Directors, and fulfilled duties as required aforesaid.

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

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

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

Procedure for Nomination of Directors

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

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

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

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

5. Conduct verification on information provided by the candidate.

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

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

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

Criteria for Nomination of Directors

1. Common criteria for all Directors

   (a) Character and integrity.

   (b) The willingness to assume board fiduciary responsibility.

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

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

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

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

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

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

(i) Fit with the Company's culture.

2. **Criteria applicable to non-executive Directors/in dependent non-executive Directors**

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

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

(c) Outstanding professional and personal reputation.

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

Remuneration Committee

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

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

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

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

During the year ended December 31, 2025, two meetings of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Ms. Jia Wei *(Chairman)*	2/2
Mr. Yongtan Liu	2/2
Mr. Zhanpeng Kong	2/2

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

Details of the remuneration by band of the 3 members of senior management of the Company, whose biographies are set out in "Profiles of Directors and Senior Management" in this annual report, for the year ended December 31, 2025 are set out below:

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

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

Phantom Unit Plan

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

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

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

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

The Phantom Unit Plan became effective on the Listing Date. Details of the Phantom Unit Plan are set out in Note 19 to the Company's audited financial statements for the year ended December 31, 2025.

Audit and Risk Committee

During the Year and to the date of this annual report, the Audit and Risk Committee was comprised of Ms. Kit Man To (Chairman), Mr. Zhanpeng Kong, and Ms. Jia Wei, all of them being independent non-executive Directors.

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

During the year ended December 31, 2025, four meetings of the Audit and Risk Committee were held and the attendance record of the Audit and Risk Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Ms. Kit Man To *(Chairman)*	4/4
Mr. Zhanpeng Kong	3/4
Ms. Jia Wei	4/4

The Audit and Risk Committee reviewed the financial reporting, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management and the appointment or reappointment of the external auditor and fulfilled duties as required aforesaid. During the year ended December 31, 2025, the Audit and Risk Committee met with the external auditors at least once a year.

The Audit and Risk Committee has assessed the qualifications, independence and performance of Moore CPA Limited ("**Moore**") and considered that Moore is eligible and suitable to act as the external auditor of the Company for the audit of the Company's financial statements for the year ending December 31, 2026. Based on the above, the Audit and Risk Committee has recommended the reappointment of Moore as the external auditor of the Company.

The Board has resolved to reappoint Moore as the external auditor of the Company, to hold office from the conclusion of the annual general meeting of the Company held in 2025 until the conclusion of the next annual general meeting of the Company to be held in 2026. The Board did not deviate from any determination and recommendation given by the Audit and Risk Committee on the selection, appointment, resignation or dismissal of the external auditor.

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2025 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

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

Material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern are disclosed in Note 3 of the audited financial statements for the year ended December 31, 2025. The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Controls

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

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

During the year ended December 31, 2025, the Company has complied with code provision D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The Company reviews and monitors the adequacy and effectiveness of the risk management and internal control system on an ongoing basis. Given the small size of the Company (3 full time employees as at December 31, 2025) and limited number of transactions processed annually, the Company does not have an internal audit function. In lieu, during the year ended December 31, 2025, the Audit and Risk Committee and the Board have reviewed the overall effectiveness of the Company's risk management and internal controls systems. In conducting such review, the Board has: (i) reviewed and discussed the scope and results of the annual testing with the Company's auditor; and (ii) reviewed with management the results of the Company's internal management representation process that was performed in connection with the preparation of the annual financial statements. Based on its review, the Board believes that the risk management and internal control systems of the Company are effective and adequate, and is not aware of any material defects in the effectiveness of internal controls.

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

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

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

Annual Assessment

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

AUDITOR'S REMUNERATION

The Company incurred C$248,000 in 2025 for services provided by the external auditor in connection with financial statements audits, and C$3,112 for non-audit services related to the filing of the Company's annual tax return in Canada.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

Ms. Jun Xiang, the Chief Financial Officer of the Company was appointed as joint company secretary of the Company on October 31, 2025.

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

Ms. Xiang currently does not possess the academic or professional qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Suen Pui Chun Hannah a senior manager of corporate services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as its joint company secretary assisting Ms. Jun Xiang to discharge her duties as company secretary of the Company. Her primary corporate contact person at the Company is Ms. Jun Xiang, the joint company secretary of the Company.

During the year ended December 31, 2025, both Ms. Suen Pui Chun Hannah and Ms. Jun Xiang have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

Having considered the multiple channels of communication and shareholders engagement in the general meeting, the Board is satisfied that the shareholders communication policy has been properly implemented during 2025 and is effective.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Enquiries to the Board

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

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

Phone: +1 403-355-3661

Email: ir@jxenergy.ca

Enquiries are dealt with in a timely and informative manner.

CHANGE IN CONSTITUTIONAL DOCUMENTS

No changes were made to the Company's By-laws during the year ended December 31, 2025.

The Board is pleased to present its report together with the audited financial statements (the "**Financial Statements**") of the Company for the year ended December 31, 2025.

PRINCIPAL ACTIVITIES

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

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

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

BUSINESS REVIEW

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

RESULTS

The results of the Company for the year ended December 31, 2025 are set out in the section headed "Management Discussion and Analysis" in this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2025.

DIVIDEND AND DIVIDEND POLICY

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

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

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

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2025, the Company had four active customers (2024: four active customers), of which three customers (2024: three customers) exceeded 10% of the Company's revenues. The Company's largest customer accounted for 71% of revenues totaling C$5.3 million, the second largest customer accounted for 16% of revenues totaling C$1.2 million.

For the year ended December 31, 2025, the Company's largest supplier accounted for approximately 59% of the Company's total operating costs. The Company's five largest suppliers accounted for approximately 97% of the Company's total cost of sales.

For the year ended December 31, 2025, the Company incurred C$9.2 million (approximately 59% of the Company's total cost of sales) to Jixing Energy (Canada) Ltd., a private Canadian company controlled by the Company's Chairman Mr. Yongtan Liu pursuant to the Jixing Gas Handling and Jixing Voyager Compression Agreements (the "**Jixing Agreements**") as defined in Note 26 of the Financial Statements. As at December 31, 2025, the Company has a total fair value balance owing to Jixing of C$31.0 million on the Jixing Agreements (see Note 13 of the Financial Statements).

Pursuant to the Term Debt obtained by the Company on March 27, 2024 (see Note 13 in the Financial Statements), any payment made to a related party subordinated to the Term Debt, with exceptions for regular operating payments related to the Jixing Agreements.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year ended December 31, 2025 are set out in Note 10 to the Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2025 are set out in Note 16 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Company during the year ended December 31, 2025 are set out in Note 18 to the Financial Statements. The Company discloses additional reserves information in it's Annual Information Form which can be found on sedar+ (www.sedarplus.ca) and the Company's website (www.jxenergy.ca).

DISTRIBUTABLE RESERVES

As at December 31, 2025, the Company's distributable reserves were nil.

BORROWINGS

Particulars of borrowings of the Company as at December 31, 2025 are set out in Notes 13 and 15 to the Financial Statements.

LOAN AND GUARANTEE

During the year ended December 31, 2025, the Company had not made any loan or provided any guarantee for loans, directly or indirectly, to the Directors, senior management, its Controlling Shareholder or his/her respective connected persons.

DIRECTORS

The Directors during the year ended December 31, 2025 and up to the date of this annual report were:

Executive Directors:

Mr. Yongtan Liu *(Chairman, Interim Chief Executive Officer resigned on October 24, 2025)*
Mr. Binyou Dai *(Chief Executive Officer appointed on October 31, 2025)*

Independent non-executive Directors:

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended December 31, 2025.

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Mr. Yongtan Liu has entered into a service agreement as Executive Director for an initial term of three years commencing from July 1, 2023. On February 14, 2024, Mr. Liu was appointed as Interim Chief Executive Officer, and does not receive any additional emolument from the Company as the Interim Chief Executive Officer. On October 24, 2025, Mr. Liu resigned as Interim Chief Executive Officer.

Mr. Zhanpeng Kong signed appointment letter with the Company as independent non-executive Directors for an initial term of three years commencing from August 1, 2023.

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

Mr. Binyou Dai has entered into a service agreement with the Company as Executive Director for a term of three years commencing from February 14, 2024. On October 31, 2025, Mr. Dai was appointed as Chief Executive Officer, and is currently entitled to receive emoluments excluding bonus and stock-based compensation of C$250,000 (approximately HK$1,349,164) per annum as the Chief Executive Officer, as determined by the Board with reference to his duties, responsibilities, remuneration policy of the Company, performance of the Company as well as the prevailing market condition. Mr. Dai does not receive any additional emoluments from the Company as an Executive Director.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

On May 17, 2024, the Company approved new Executive Employment Agreements with Mr. Binyou Dai and Ms. Tara Leray effective June 1, 2024. The Executive Employment Agreements continue indefinitely until terminated in accordance with the terms thereof and the annual base salary prescribed thereunder is subject to annual review.

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

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

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

Other than noted above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

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

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

EMPLOYEES

The Company had 2 employees as at December 31, 2025. The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. The Company also provides employees with welfare benefits in accordance with the applicable laws and the internal policies of the Company.

RETIREMENT BENEFITS SCHEME

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

EMOLUMENT POLICY

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at December 31, 2025, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Director	Nature of Interest	Number and class of Shares[1]	Approximate % of shareholding
Yongtan Liu[2]	Security interest, interest in controlled corporation and interest of spouse	181,194,306	29.35%
	Interest in controlled corporation and interest of spouse	23,600,000	3.82%
Binyou Dai[3]	Beneficial owner	440,000	0.07%

Notes:

1. The calculation is based on the total number of 617,264,159 Shares in issue as at December 31, 2025.

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

3. Mr. Binyou Dai holds a total of 440,000 Shares of the Company.

Interest in shares of the associated corporation of the Company

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

Note:

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

Save as disclosed above, as at December 31, 2025, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2025, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Director	Capacity/Nature of interest	Number of shares[1]	Approximate % of issued share capital
Aspen Investment Holdings Ltd.[2] ("**Aspen**")	Beneficial owner	181,194,306 (Long Position)	29.35%
Yuan Jing ("**Mr. Jing**")[3]	Interest in controlled corporation	181,194,306 (Long Position)	29.35%
Ji Lin Hong Yuan Trade Group Limited (吉林省弘原經貿集團有限公司) ("**JLHY**")[2][4]	Interest in controlled corporation	181,194,306 (Long Position)	29.35%
Changchun Liyuan Investment Co., Ltd. (長春市麗源投資有限公司) ("**Liyuan**")[5]	Interest in controlled corporation	181,194,306 (Long Position)	29.35%
Guang Jing[6]	Interest in controlled corporation	181,194,306 (Long Position)	29.35%
Jixing Gas Holding Limited[7]	Security interest Beneficial owner	181,194,306 23,600,000 (Long Position)	29.35% 3.82%
Changchun[7]	Security interest Interest in controlled corporation	181,194,306 23,600,000 (Long Position)	29.35% 3.82%
Ms. Zhang[7][8]	Security interest, interest in controlled corporation and interest of spouse Interest in controlled corporation and interest of spouse	181,194,306 23,600,000 (Long Position)	29.35% 3.82%
Dalian Yongli Petrochemical Ltd. (大連永力石油化工有限公司) ("**Dalian**")[9]	Beneficial owner	132,000,000 (Long Position)	21.38%
Zhang Zhong[9]	Interest in controlled corporation	132,000,000 (Long Position)	21.38%

Notes:

1. The calculation is based on the total number of 617,264,159 Shares in issue as at December 31, 2025.

2. Aspen holds 181,194,306 Shares and is owned as to approximately 80.78% and 19.22% by JLHY and Liyuan respectively.

3. Mr. Jing is interested in 60% of the equity interest in JLHY and is therefore deemed to be interested in all the Shares in which JLHY is interested in under the SFO.

4. JLHY is held as to 60% by Mr. Jing and 40% by Guang Jing, Mr. Jing's brother.

5. Liyuan is owned as to approximately 98%, 1% and 1% by JLHY, Zhou Li Mei and Jing Yue Li, respectively.

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

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

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

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

Save as disclosed above, and as at December 31, 2025, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2025 was the Company or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other corporate body.

ISSUANCE, PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 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.

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.

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.

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.

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

PRE-EMPTIVE RIGHTS

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

CHANGE IN SHAREHOLDING STRUCTURE OF CONTROLLING SHAREHOLDER

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

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

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

NON-COMPETITION UNDERTAKING

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at December 31, 2025, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Company.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2019, the Company and Jixing Energy (Canada) Ltd. entered into gas handling agreements, which subsequently became continuing connected transactions of the Company following the appointment of Mr. Liu as an executive Director under Chapter 14A of the Listing Rules. Details of the connected transactions and/or continuing connected transactions entered into during the year ended December 31, 2025 are set out in Notes 13 and 26 of the Financial Statements.

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

Confirmations from the Company

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

Confirmations from the independent non-executive directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended December 31, 2025 and confirmed that they had been entered into:

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

(ii) on normal or better commercial terms; and

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

CONFIRMATIONS FROM THE AUDITORS

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

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Company; and

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Company for the year ended December 31, 2025 are set out in Notes 13 and 26 to the Financial Statements.

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

CHARITABLE DONATIONS

During the year ended December 31, 2025, the Company made no charitable or any other donations.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee had reviewed together with management and the external auditor the accounting principles and policies adopted by the Company and the audited Financial Statements for the year ended December 31, 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2025. In addition, the Company is not aware of any non-compliance of the Model Code by senior management of the Company during the Year.

DIRECTORS' INDEMNITIES

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

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

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On December 24, 2024, the Company announced that, with the recommendation from the Audit and Risk Committee, it has resolved to appoint Moore CPA Limited ("**Moore**") as the auditor of the Company with effect from December 24, 2024, and to hold office until the conclusion of the next annual general meeting of the Company, and was subsequently re-appointed as auditor of the Company by the Shareholders.

The Financial Statements for the year ended December 31, 2025 have been audited by Moore, who are proposed for reappointment at the forthcoming AGM.

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

MATERIAL LEGAL PROCEEDINGS

The Company was not involved in any material (exceeding 10% of the Company's total assets) legal proceedings during the year ended December 31, 2025.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2025, the Company was not aware of any non-compliance with relevant laws and regulations that would have an impact thereon.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

SHARE OPTION PLAN

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

The Option Plan is a "rolling" plan and provides that the number of Common Shares issuable under the Option Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares, on a non-diluted basis, as of the date on which the Option Plan is approved by the Shareholders. In addition, the following restrictions apply to the Option Plan:

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

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

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

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

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

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

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

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

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

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

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

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

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

Details of the options granted under the Option Plan and those remained outstanding as at December 31, 2025 are set out below:

	Options Granted		Number of options					
Name and category of participant	Date	Amount	As of January 1, 2025	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As of December 31, 2025
Director(s) and their associate(s)								
Mr. Binyou Dai	May 18, 2020	1,140,000	1,140,000	–	–	–	(1,140,000)	–
Other employees	May 18, 2020	1,140,000	1,140,000	–	–	–	(1,140,000)	–
Other employees	Nov 30, 2022	800,200	800,200	–	–	–	(800,200)	–
Total		**3,080,200**	**3,080,200**	**–**	**–**	**–**	**(3,080,200)**	**–**

The total number of Options available for grant under the Option Plan at the beginning and the end of the Reporting Period is 24,748,452 and 27,828,652, respectively. 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). As at the date of this annual report, the remaining life of the Option Plan is approximately 2 years and 2 months.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

CHANGES IN THE BOARD, CHIEF EXECUTIVE AND THE DIRECTOR'S INFORMATION

The changes in the Board since the date of the Company's 2025 interim report are set out below:

- Mr. Yongtan Liu has resigned as Interim Chief Executive Officer ("**ICEO**") on October 24, 2025.
- Mr. Binyou Dai has been appointed as Chief Executive Officer ("**CEO**") on October 31, 2025.
- Ms. Tara Leray has resigned as Chief Financial Officer and joint Company secretary of the Company on October 31, 2025.
- Ms. Jun Xiang has been appointed as Chief Financial Officer and joint Company secretary of the Company on October 31, 2025.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

1.1 Overview

This is the Environmental, Social and Governance Report (the "**ESG Report**") of JX Energy Ltd. (hereinafter "**JX**", the "**Company**", "**we**", "**our**" or "**us**"), for the period from January 1, 2025 to December 31, 2025 (the "**Reporting Period**").

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

1.2 Core Business of the Company

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

During the Reporting Period, the Company focused on two core areas of operation – Alberta Foothills and Peace River – with a daily average production volume of 1,077 BOE per day.

1.3 Report Boundary

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

1.4 Reporting Principles

This ESG Report has been prepared in accordance with the reporting principles of materiality, quantitative disclosure, consistency and balance as set out in the ESG Guide under Appendix C2 of the Listing Rules.

In applying the principle of materiality, the Company identifies and prioritizes ESG issues that are most relevant to its business operations and stakeholders through ongoing internal assessment, taking into account the nature of its activities, regulatory expectations and industry practices. These material ESG matters form the basis of the disclosures presented in this Report.

With respect to quantitative disclosure, the Company strives to present key environmental and social performance indicators in a measurable manner, where practicable, to facilitate objective evaluation and comparability of ESG performance over time. The methodologies, assumptions and calculation bases applied in the preparation of such data are consistent with those adopted in prior reporting periods, unless otherwise stated.

The principle of consistency is applied through the adoption of consistent reporting boundaries, methodologies and disclosure approaches to enable meaningful comparison of ESG performance across reporting periods. Where there are any significant changes in scope, methodology or assumptions, appropriate explanations are provided to ensure transparency.

In addition, this Report adheres to the principle of balance by providing an unbiased and fair representation of the Company's ESG performance, covering both positive achievements and areas for improvement. The Company aims to enhance transparency and accountability to stakeholders by presenting a comprehensive and reliable view of its ESG management and performance during the Reporting Period.

1.5 Endorsement

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

1.6 Contact

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

2 ESG MANAGEMENT

2.1 Our Approach

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

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

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

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

During the Reporting Period, the Company continued to enhance its ESG governance practices by further integrating ESG considerations into its overall business planning and enterprise risk management processes. ESG-related factors, including environmental and climate-related risks, are considered in operational decision-making and strategic planning to support the Company's long-term sustainability objectives.

In addition, ESG performance and related matters are subject to periodic review by the Board, which is conducted at least annually. Through this process, the Board evaluates the effectiveness of the Company's ESG policies and initiatives, and provides direction to management on areas for continuous improvement, thereby strengthening the Company's governance and oversight of ESG matters.

2.2 Environmental and Social Management

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

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

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

Regulatory and HSE Programme Compliance

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

Environmental Protection

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

Hazard Reporting and Right to Refuse Unsafe Work

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

Work Procedures

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

Employee Awareness and Training

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

Emergency Planning and Response

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

Identification and management of ESG-related risks and opportunities

The Company recognizes that ESG-related risks and opportunities may have a direct or indirect impact on its operational performance, financial position and long-term sustainability. Accordingly, ESG factors are incorporated into the Company's enterprise risk management framework, where relevant environmental, social and governance risks – including climate-related risks, regulatory compliance risks and operational safety risks – are identified, assessed and monitored on an ongoing basis. Management evaluates the potential impacts of these risks and opportunities and implements appropriate mitigation measures and operational responses, with oversight from the Board. This integrated approach enables the Company to enhance its resilience to external challenges while identifying opportunities to improve efficiency and sustainability performance.

Maintaining transparent and effective communication with stakeholders

The Company is committed to maintaining transparent, timely and effective communication with its stakeholders, including shareholders, employees, regulators, business partners and local communities. Through various communication channels, such as annual and interim reports, regulatory announcements and direct engagement where appropriate, the Company provides stakeholders with relevant information regarding its business operations, financial performance and ESG initiatives. The Company also seeks to understand stakeholder expectations and concerns, and takes these into consideration in its decision-making processes and ESG strategy development. By fostering open and constructive dialogue, the Company aims to build trust, enhance accountability and support its long-term sustainable development.

2.3 Materiality Assessment

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

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

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

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

3 ENVIRONMENT

3.1 Emissions

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

Air Emission

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

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

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

Carbon Emissions

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

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

Hazardous and Non-hazardous Waste

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

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

Wastewater Management

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

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

Noise

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

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

Compliance Status

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

3.2 Use of Resources

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

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

– procuring energy efficient-equipment when possible;

– installing solar panels at production sites;

– reusing fracturing water;

– minimizing waste generation;

– monitoring the temperature of air-conditioned rooms;

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

– encouraging duplex printing in our offices;

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

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

3.3 Environment and Natural Resources

Environmental Planning and Monitoring

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk and Incident Management

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

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

4 CLIMATE CHANGE

4.1 Climate-related Risk Identification and Mitigation

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

Carbon Emissions

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

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

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

5 SOCIAL

5.1 Employment and Labour Standards

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

5.1.1 Equal Opportunity Policies

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

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

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

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

5.1.2 Employee Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.1.3 Employee Relationship

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

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

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

– imposing strict disciplinary measures if a complaint is founded.

As at December 31, 2025, the Company had a total of 3 full-time (no part-time) employees, all located at the Calgary head office with the following attributes:

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

During the Reporting Period, there was one employee departure, which was subsequently filled through recruitment. The Company did not experience any work stoppages, strikes or labour disputes that had a material adverse impact on its operations.

Handling Conflicts

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

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

Workplace Harassment

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

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

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

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

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

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

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

Violence in Workplace

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

The Company is committed to:

– developing and maintaining a suitable control programme;

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

– taking necessary actions; and

– providing appropriate support to victims.

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

Disciplinary Action and Dismissal

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

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

Employee Privacy Policy

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

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

Compliance Status

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

5.2 Health and Safety

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

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

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

5.2.1 Risk Assessment

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

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

5.2.2 Safety Training

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

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

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

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

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

5.2.3 Emergency Response Plan

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

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

- a threat to worker or public health, and safety;
- loss of property;
- a negative impact on the environment; and
- a perception of risk by the public and neighbouring stakeholders.

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

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

Compliance Status

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

5.3 Development and training

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

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

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

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

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

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

5.4 Labour Standards

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

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

Compliance Status

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

5.5 Supply Chain Management

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

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

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

5.6 Product Responsibility

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

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

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

Compliance Status

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

5.7 Anti-corruption

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

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

Whistle Blowing Policy

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

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

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

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

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

Compliance Status

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

5.8 Community Investment

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

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

During the reporting period, the Company dedicated approximately 16 man-hours associated with stakeholder and community engagement.

A APPENDIX I — ENVIRONMENTAL PERFORMANCE INDICATORS

KPI	Unit	2025
Use of Resources		
Water use (for well completions)	m^3	0
Natural gas use	m^3	2,447,006
Per boe[1]	*m^3/boe*	*6.23*
Propane use	Litres	67,172
Per boe[1]	*Litres/boe*	*0.17*
Diesel use	Litres	0
Per boe[1]	*Litres/boe*	*0.00*
Emissions		
Drilling cuttings and drilling fluids	m^3	0
Produced water	m^3	730.5
Per boe[1]	*m^3/boe*	*0.0019*
Production wastewater/oil/solid	m^3	0
Per boe[1]	*m^3/boe*	*0.0000*
Methane emission	m^3	89,965
Per boe[1]	*m^3/boe*	*0.23*
Non-hazardous waste disposed	tonnes	0
Air emissions		
Sulphur oxides (SO_x)	tonnes	0.02
Particulate matter (PM)	tonnes	0.30
Nitrogen oxides (NO_x)	tonnes	3.85
Volatile organic compound (VOC)	tonnes	0.23
Carbon monoxide (CO)	tonnes	1.84
Total carbon emissions	tonnes CO_2	4,778
Total carbon emissions (Scope 1 and 2) per boe[1]	*tonnes CO_2/boe*	*0.0122*

1 Based on 2025 total Company production of 392,938 barrels of oil equivalent ("**boe**")

B APPENDIX II — HKEX ESG CONTENT INDEX

	Aspects	Section	Remarks
A	**Environmental**		
A1	**Emissions**	3.1	
	a) Policies and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		
A1.1	The types of emissions and respective emission data	Appendix I	
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.5	Description of measures to mitigate emissions and result achieved	3.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	3.1	

	Aspects	Section	Remarks
A2	**Use of Resources** Policies on the efficient use of resources, including energy, water and other raw materials	3.2	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.3	Description of energy use efficiency initiatives and results achieved	3.2	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	3.2	There are no significant issues identified in sourcing water that is fit for purpose.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	–	Packaging material is not identified as material to the Company.
A3	**The Environment and Natural Resources** Policies on minimizing the issuer's significant impact on the environment and natural resources	3.3	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	3.3	
A4	**Climate Change** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer		
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	4.1	

	Aspects	Section	Remarks
B	**Social**		
B1	**Employment and Labour Practices** Policies on employment and compliance with relevant laws and regulations that have a significant impact on the issuer on the following aspects: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare	5.1	
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	5.1	
B1.2	Employee turnover rate by gender, age group and geographical region	5.1	
B2	**Health and Safety** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to providing a safe working environment and protecting employees from occupational hazards	5.2	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	5.2	
B2.2	Lost days due to work injury	5.2	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	5.2	
B3	**Development and Training** Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities	5.3	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	5.3	
B3.2	The average training hours completed per employee by gender and employee category	5.3	

	Aspects	Section	Remarks
B4	**Labour Standards** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to preventing child and forced labour	5.4	
B4.1	Description of measures to review employment practices to avoid child and forced labour	5.4	
B4.2	Description of steps taken to eliminate such practices when discovered	5.4	
B5	**Supply Chain Management** Policies on managing environmental and social risks of the supply chain	5.5	
B5.1	Number of suppliers by geographical region	5.5	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	5.5	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.5	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.5	
B6	**Product Responsibility** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to health and safety, advertising, labelling and privacy matters related to products and services provided and methods of redress	5.6	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	5.6	
B6.2	Number of products and service related complaints received and how they are dealt with	5.6	
B6.3	Description of practices relating to observing and protecting intellectual property rights	5.6	
B6.4	Description of quality assurance process and recall procedures	5.6	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	5.6	

	Aspects	Section	Remarks
B7	**Anti-corruption** Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to bribery, extortion, fraud and money laundering	5.7	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	5.7	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	5.7	
B7.3	Description of anti-corruption training provided to directors and staff.	5.7	
B8	**Community Investment** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5.8	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5.8	
B8.2	Resources contributed (e.g. money or time) to the focus area	5.8	

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JX ENERGY LTD.

(Incorporated in Canada with limited liability)

OPINION

We have audited the financial statements of JX Energy Ltd (the "**Company**") set out on pages 110 to 186 which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 International Accounting Standard Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auding and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 to the financial statements, 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.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2025. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section above, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment *(Refer to notes 5, 10 and 18 to the financial statements)*	
As at December 31, 2025, the Company had the property, plant and equipment with the net carrying amount of C$16,228,650, representing approximately 88% of its total assets. The management concluded there was indication for impairment and the Company recorded an impairment loss of C$3,360,194 regarding the property, plant and equipment during the year ended December 31, 2025. As detailed in Note 18 to the financial statements, in estimating the recoverable amount, the net present value of future cash flows is estimated based upon the continued use of the assets and the application of key assumptions in cash flow projections and determination of discount rate. The management estimates the recoverable amount of the cash generating units ("**CGUs**") involves numerous estimates including the future discounted cash flows associated with natural gas price, royalties' rate, operating costs and discount rate, expected forecasted production volumes and estimated oil and gas reserves. The estimation of oil and gas reserves as at the year-end involves the expertise of qualified reserve evaluators engaged by the Company. We have identified the impairment assessment of property, plant and equipment as a key audit matter because of its significance to the financial statements of the Company and it involved significant management judgement and high degree of estimation uncertainty.	Our procedures in relation to the impairment assessment of property, plant and equipment included: – Understanding the management's assessment process of identification of indication that an asset may be impaired and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining the assumptions to be applied; – Assessing the management's determination of CGUs for the respective stand-alone cash generating units based on our understanding of the Company's business; – Examining and challenging the management's assessment of impairment indicators and the appropriateness of methodology adopted and the reasonableness of assumptions applied by the management in the impairment assessments with reference to the requirements of the prevailing accounting standards and the industry practice; – Evaluating the competence, capabilities, and objectivity of the independent qualified reserves evaluators engaged by the Company, and the methodology used by the independent qualified reserves evaluators; – Comparing the forecasted commodity prices used in the estimate of proved and probable reserves to those published by other reserve engineering companies;

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment *(Refer to notes 5, 10 and 18 to the financial statements)*	
	Our procedures in relation to the impairment assessment of property, plant and equipment included (continued): – Comparing the 2025 actual production, operating, royalty and capital costs of the Company to those estimates used in the prior year's estimate of proved reserves to assess the Company's ability to accurately forecast; – Examining the impairment test completed by the Company, with the assistance of a valuation specialist with specialised skill and knowledge who assisted in (a) evaluating the Company's discount rate, by comparing it against market data and other external data. The valuation specialist estimated the recoverable amount of the CGUs using the estimate of the cash flows associated with the CGUs' reserves and the discount rate evaluated by the specialist and compared the results to market data and other external pricing data; and (b) checking the accuracy and relevancy of the input data and mathematical accuracy of the valuation calculation and the underlying data used in the calculation; and – Performing sensitivity analysis around the key assumptions for forecasted production and estimated costs and assessing the potential impact of a range of possible outcomes.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

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

Moore CPA Limited

Moore CPA Limited
Certified Public Accountants
Mo Wing Sze Regina
Practising Certificate Number: P06709

Hong Kong, March 27, 2026

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2025
(Expressed in Canadian dollars unless otherwise indicated)

	Note	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		**621,490**	242,314
Total current assets		**2,024,113**	1,146,135
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)	**28,925**	196,945
Total non-current assets		**16,381,054**	24,741,986
Total Assets		**18,405,167**	25,888,121
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	**881,448**	691,448
Total current liabilities		**32,996,694**	17,424,109
Non-current liabilities:			
Long-term payable	13	**23,652,878**	20,052,041
Long-term debt	13	**–**	9,101,883
Lease liabilities	11(b)	**13,154**	10,546
Decommissioning liabilities	14	**1,124,526**	760,517
Total non-current liabilities		**24,790,558**	29,924,987
Total liabilities		**57,787,252**	47,349,096

For the year ended December 31, 2025
(Expressed in Canadian dollars unless otherwise indicated)

	Note	**As at December 31, 2025**	As at December 31, 2024
Shareholders' equity:			
Share capital	16(b)	**229,265,223**	222,417,603
Contributed surplus		**13,525,838**	15,193,215
Accumulated deficit		**(282,173,146)**	(259,071,793)
Total shareholders' deficit		**(39,382,085)**	(21,460,975)
Total Liabilities and Shareholders' Deficit		**18,405,167**	25,888,121

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

The financial statements on pages 110 to 186 were approved and authorised for issue by the board of directors on March 27, 2026 and were signed on its behalf by:

Yongtan Liu, *Director*

Binyou Dai, *Director*

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2025
(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2025	2024
Revenue			
Commodity sales from production	17	**7,401,498**	4,968,093
Trading revenue	17	**3,584**	1,659
Royalty expense		**(612,790)**	(87,877)
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	**(7,124,025)**	(4,471,173)
Total expenses		**(26,502,930)**	(21,108,102)
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	**40,041**	–
Loss before tax	19	**(23,467,769)**	(20,267,110)
Income tax expense	23	**–**	–
Loss and total comprehensive loss for the year		**(23,467,769)**	(20,267,110)
Loss per share			
Basic and diluted	24	**(0.04)**	(0.04)

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		**229,265,223**	**13,525,838**	**(282,173,146)**	**(39,382,085)**

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)

	Notes	Year ended December 31, 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
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
Cash used in operations		**(3,478,143)**	(2,975,042)
Income tax paid		**–**	–
Net cash used in operating activities		**(3,478,143)**	(2,975,042)
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)
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	7(c)	**–**	2,179,062
Proceeds from other loans	7(c)	**137,060**	–
Proceeds from shareholder loans	7(c)	**1,780,689**	87,000
Repayment of shareholder loans	7(c)	**(228,413)**	(1,889,552)
Repayment of principal portion of lease payments	7(c)	**(243,165)**	(740,848)
Repayment of interest portion of lease payments	7(c)	**(24,807)**	(87,824)
Repayment of term debt	7(c)	**(99,249)**	(827,330)
Interest paid	7(c)	**(85,060)**	(837,974)
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
Cash and cash equivalents, end of the year	7(a)	**83,758**	211,491

The accompanying notes form part of these annual financial statements.

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION AND PRESENTATION

(a) Statement of compliance

The financial statements set out in this report 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.

2 BASIS OF PREPARATION AND PRESENTATION (Continued)

(d) Use of estimates and judgments (Continued)

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;

3 GOING CONCERN (Continued)

- 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 amounts 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.

3 GOING CONCERN (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Revenue recognition (Continued)

Trading revenue (Continued)
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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

Financial assets (Continued)

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 realizing security (if any is held); or the financial asset is more than 90 days past due.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

Financial liabilities (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Financial instruments (Continued)

Borrowings (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Property, plant and equipment (Continued)

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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).

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Related party transactions (Continued)

(2) (Continued)

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Leases (Continued)

The Company as a lessee (Continued)

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.

(Expressed in Canadian dollars unless otherwise indicated)

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Share-based payments (Continued)

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	*Lack of Exchangeability*

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	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependant Electricity*[1]
Amendments to IFRS Accounting Standards	*Annual improvements to IFRS Accounting Standards – Volume 11*[1]
IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]

(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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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:

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Critical judgments in applying accounting policies (Continued)

(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 as 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.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Key sources of estimation uncertainty (Continued)

(i) Reserves (Continued)

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).

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Key sources of estimation uncertainty (Continued)

(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.

(Expressed in Canadian dollars unless otherwise indicated)

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		
Financial assets measured at amortised cost:		
Cash and cash equivalents	**83,758**	211,491
Accounts receivable	**1,318,865**	692,330
Deposits	**73,227**	74,318
	1,475,850	978,139
Financial liabilities		
Financial liabilities measured at amortised cost:		
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**	–
Financial liabilities measured at fair value:		
Convertible debentures – derivative component	**729,597**	41,714
	54,443,313	44,734,077
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.

(Expressed in Canadian dollars unless otherwise indicated)

7 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

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

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

	Year ended December 31,	
C$	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	**8,143,542**	6,598,433
	7,137,831	7,371,454

(Expressed in Canadian dollars unless otherwise indicated)

7 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

C$	Lease liabilities (Note 11(b))	Shareholder loans (Note 13(b))	Term debt (Note 13(a))	Convertible debentures – liability component (Note 13)	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)
Changes from financing cash flows	(828,672)	(2,386,146)	(1,081,710)	2,179,062	(2,117,466)
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)
Other changes	87,824	1,346,458	685,308	193,198	2,312,788
At December 31, 2024	251,066	10,331,025	3,315,424	2,372,260	16,269,775

For the year ended December 31, 2025
(Expressed in Canadian dollars unless otherwise indicated)

7 CASH AND CASH EQUIVALENTS (Continued)

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

C$	Lease liabilities (Note 11(b))	Shareholder loans (Note 13(b))	Term debt (Note 13(a))	Interest payable (Note 12)	Convertible debentures – liability component (Note 13)	Other loans (Note 15)	Total
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)
Changes from financing cash flows	(267,972)	1,493,104	(125,137)	–	–	137,060	1,237,055
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
Other changes	48,609	336,086	114,933	12,410	(214,710)	263,155	560,483
At December 31, 2025	**31,703**	**12,160,215**	**3,305,220**	**12,410**	**2,157,550**	**400,215**	**18,067,313**

(Expressed in Canadian dollars unless otherwise indicated)

8 ACCOUNTS RECEIVABLE

C$	As at December 31, 2025	As at December 31, 2024
Trade receivables	**1,318,865**	691,842
Other receivables	**–**	488
Total	**1,318,865**	692,330

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:

C$	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	**–**	62
Total	**1,318,865**	691,842

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).

(Expressed in Canadian dollars unless otherwise indicated)

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 (Note 18)	**(3,763,831)**	(148,336)
Balance, end of the year	**123,479**	3,884,950

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	**4,720**	4,720
Total	**123,479**	3,884,950

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.

(Expressed in Canadian dollars unless otherwise indicated)

9 EXPLORATION AND EVALUATION ASSETS (Continued)

For the year ended December 31, 2024, the Company sold five sections of it's 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)
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)**
At December 31, 2025	**170,535,105**	**(154,306,455)**	**16,228,650**

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
Total	**16,228,650**	20,660,091

(Expressed in Canadian dollars unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

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 and Jixing Loan (as defined in Note 13) 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 (Note 19)	(88,671)	(490,917)	(12,033)	(591,621)
At December 31, 2024 and January 1, 2025	**55,198**	**132,395**	**9,352**	**196,945**
Additions	**–**	**–**	**23,802**	**23,802**
Amortisation (Note 19)	**(55,198)**	**(123,965)**	**(12,659)**	**(191,822)**
At December 31, 2025	**–**	**8,430**	**20,495**	**28,925**

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).

(Expressed in Canadian dollars unless otherwise indicated)

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

(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**	–
	31,703	251,066
Analysed as:		
Current	**18,549**	240,520
Non-current	**13,154**	10,546

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 (Note 19(a))	**191,822**	591,621
Interest on lease liabilities (Note 22)	**24,807**	87,824
Expense relating to short-term leases (Note 19(a))	**363,650**	274,924
Total	**580,279**	954,369

(Expressed in Canadian dollars unless otherwise indicated)

11 RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

(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 (Note 7): Payments of lease liabilities (both principal and interests)	**267,972**	828,672
Within operating cash flows: Expenses related to short-term leases	**363,650**	274,924
Total cash outflows for leases	**631,622**	1,103,596

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 (Note (a))	**1,401,062**	2,233,327
Accrued liabilities (Note (b))	**2,331,437**	1,281,133
Total trade payables and accrued liabilities	**3,732,499**	3,514,460
Capital payables (Note (c))	**1,254,849**	2,788,265
Interest payables (Note (d))	**12,410**	–
Other payables (Note (e))	**961,563**	2,586,764
Total	**5,961,321**	8,889,489

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.

(Expressed in Canadian dollars unless otherwise indicated)

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Continued)

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.

(Expressed in Canadian dollars unless otherwise indicated)

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 (Note (b))	**12,160,215**	10,331,025
Term debt (Note (a))	**3,372,176**	3,435,945
Less: deferred financing costs related to term debt	**(66,956)**	(120,521)
Total	**15,465,435**	13,646,449
Analysed as:		
Current	**15,465,435**	4,544,566
Non-current	**–**	9,101,883

(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.

(Expressed in Canadian dollars unless otherwise indicated)

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

Long-term debt (Continued)

(a) Term debt (Continued)

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 report, 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 (Continued)

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.

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

Long-term debt (Continued)

(b) Shareholder loans (Continued)

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.

(Expressed in Canadian dollars unless otherwise indicated)

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

Long-term debt (Continued)

(b) Shareholder loans (Continued)

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
Balance, end of the year	**31,035,457**	20,696,153
Analysed as:		
Current	**7,382,579**	644,112
Non-current	**23,652,878**	20,052,041

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.

(Expressed in Canadian dollars unless otherwise indicated)

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

Long-term payable (Continued)

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 C$	Derivative component 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 (Note 22)	112,858	–
Change in fair value recognised in the profit or loss	–	(6,490)
Exchange adjustments	126,865	1,679
As at December 31, 2024 and January 1, 2025	**2,372,260**	**41,714**
Transfer from other payable (Note 12(e))	**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 (Note 15)	**(263,155)**	**–**
Interest expenses (Note 22)	**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)**
As at December 31, 2025	**2,157,550**	**729,597**

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

Convertible debentures (Continued)

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 equivalents 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.

(Expressed in Canadian dollars unless otherwise indicated)

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

Convertible debentures (Continued)

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).

(Expressed in Canadian dollars unless otherwise indicated)

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 (Note 10)	**525,109**	(968,297)
Accretion expense (Note 22)	**28,900**	47,651
Balance, end of the year	**2,005,974**	1,451,965
Analysed as:		
Current	**881,448**	691,448
Non-current	**1,124,526**	760,517

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	**400,215**	–

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.

(Expressed in Canadian dollars unless otherwise indicated)

15 OTHER LOANS (Continued)

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)
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**
At December 31, 2025	**617,264,159**	**229,265,223**

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)).

16 SHARE CAPITAL (Continued)

(b) Issued: (Continued)

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)).

16 SHARE CAPITAL (Continued)

(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.

(Expressed in Canadian dollars unless otherwise indicated)

16 SHARE CAPITAL (Continued)

(c) Share options and share-based expenses: (Continued)

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
Total	800,200	3,780,000

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.

(Expressed in Canadian dollars unless otherwise indicated)

16 SHARE CAPITAL (Continued)

(c) Share options and share-based expenses: (Continued)

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	Number of share options				
		As at 1 January 2025	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at December 31, 2025
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						**–**

(Expressed in Canadian dollars unless otherwise indicated)

16 SHARE CAPITAL (Continued)

(c) Share options and share-based expenses: (Continued)

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

For the year ended December 31, 2024:

		Number of share options				
Grant date	Exercise price per share option	As at 1 January 2024	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at December 31, 2024
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
		4,580,200	–	–	(1,500,000)	3,080,200
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)).

16 SHARE CAPITAL (Continued)

(c) Share options and share-based expenses: (Continued)

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.

(Expressed in Canadian dollars unless otherwise indicated)

17 SEGMENT INFORMATION, REVENUE AND OTHER INCOME (Continued)

Revenue and other income summary

	Year ended December 31,	
C$	**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	**7,401,498**	4,968,093
Trading revenue		
Natural gas trading revenue	**27,297**	58,235
Natural gas trading cost	**(23,713)**	(56,576)
Total trading revenue	**3,584**	1,659
Other income	**4,857**	19,507

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.

(Expressed in Canadian dollars unless otherwise indicated)

17 SEGMENT INFORMATION, REVENUE AND OTHER INCOME (Continued)

Information about major customers

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

	Year ended December 31,	
C$	**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

	Year ended December 31,	
C$	**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

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

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 a 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 CGUs' 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).

(Expressed in Canadian dollars unless otherwise indicated)

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

PP&E impairment (Continued)

The Company calculated the recoverable amount of the Basing and Voyager CGU's based on forecasted cash flows from proved plus probable reserves using a 10% and 12% before-tax discount rate, respectively, with escalated prices and future development costs as 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 *(C$/Bbl)*	**AECO Gas** *(C$/mmbtu)*
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]	**+2.0%/yr**	**+2.0%/yr**

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

(Expressed in Canadian dollars unless otherwise indicated)

18 IMPAIRMENT LOSSES AND WRITE-OFFS (Continued)

PP&E impairment (Continued)

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

(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**	**2,529,00**
Voyager CGU	**–**	**2,311,703**	**N/A***	**N/A***	**N/A***
As at December 31, 2024					
Basing CGU	17,176,962	4,119,361	713,000	219,000	2,469,000
Voyager CGU	2,303,111	200,440	101,000	61,000	417,000

* No significant change in the estimated recoverable amount.

(Expressed in Canadian dollars unless otherwise indicated)

19 LOSS BEFORE TAX

	Year ended December 31,	
C$	**2025**	2024
Loss before tax has been arrived at after charging:		
Directors' emoluments (Note 20)	**338,197**	728,308
Salaries, wages and other benefits (exclusive of directors' emoluments (Note 20)) (Note)	**262,633**	449,783
Severance	**400,000**	–
Share-based expenses (Note 16 (c))	**5,927**	16,004
Contribution to retirement benefits scheme benefits (exclusive of directors' emoluments (Note 20))	**10,296**	9,314
Total staff costs (Note)	**1,017,053**	1,203,409
Auditor's remuneration	**248,000**	248,000
Depletion and depreciation of PP&E (Note 10)	**1,927,446**	883,279
Amortisation of right of use assets (Note 11(a))	**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 (Note 11(c))	**363,650**	274,924

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.

19 LOSS BEFORE TAX (Continued)

Note (continued):

Phantom Unit Plan for independent non-executive directors

The Company has in place a phantom unit plan for its independent non-executive directors effective March 10, 2017 and applied retrospectively started from February 26, 2016 (the "**Phantom Unit Plan**"). In order for the eligible directors to receive the phantom units issued under the Phantom Unit Plan (the "**Phantom Units**"), they need to complete a participation form prior to the commencement of each fee period (i.e. twelve-month period commencing January 1 and ending on December 31). Since 2016, all independent non-executive directors agreed to receive 60% of their C$100,000 annual fee ("**Independent Directors' Fee**") in the form of phantom units, and the remainder in cash. 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.

For the year ended December 31, 2025
(Expressed in Canadian dollars unless otherwise indicated)

20 DIRECTORS' EMOLUMENTS

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

Year ended December 31, 2025 C$	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to retirement benefits scheme	Share-based payments and phantom unit changes	Total emoluments
Executive directors						
Pingzai Wang[1]	–	–	–	–	–	–
Yongtan Liu[2]	–	–	–	–	–	–
Binyou Dai[3]	–	212,500	–	4,430	–	216,930
Independent non-executive directors						
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 December 31, 2024 C$	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contribution to retirement benefits scheme	Share-based payments and phantom unit changes	Total emoluments
Executive directors						
Pingzai Wang[1]	–	368,500	–	–	–	368,500
Yongtan Liu[2]	–	–	–	–	–	–
Binyou Dai[3]	–	218,500	–	4,056	–	222,556
Independent non-executive directors						
Larry Smith[4,6]	40,000	–	–	–	16,485	56,485
Clement Ka Hai Hung[5,6]	39,233	–	–	–	–	39,233
Zhanpeng Kong[5]	40,000	–	–	–	–	40,000
Kit Man To[6]	767	–	–	–	–	767
Jia Wei[6]	767	–	–	–	–	767
Total	120,767	587,000	–	4,056	16,485	728,308

20 DIRECTORS' EMOLUMENTS (Continued)

(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.

(Expressed in Canadian dollars unless otherwise indicated)

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:

	Year ended December 31,	
C$	**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	**678,856**	398,200

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

	Year ended December 31,	
Hong Kong dollars	**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**	–

(Expressed in Canadian dollars unless otherwise indicated)

22 FINANCE COSTS

	Year ended December 31,	
C$	**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).

(Expressed in Canadian dollars unless otherwise indicated)

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:

	Year ended December 31,	
C$	**2025**	2024
Loss before tax	**(23,467,769)**	(20,267,110)
Combined Federal and Provincial tax rate	**23.0%**	23.0%
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	**1,679,589**	798,189
Income tax expense	**–**	–

(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:

	Year ended December 31,	
C$	**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**	73,940
Debt and other	**(387,331)**	737,054
Total	**191,343,962**	172,047,632

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).

(Expressed in Canadian dollars unless otherwise indicated)

24 LOSS PER SHARE – BASIC AND DILUTED

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

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

26 RELATED PARTY TRANSACTIONS (Continued)

(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 (2024: C$6.09 million) in respect of this agreement.

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 (2024: C$1.89 million) in respect of this agreement.

(Expressed in Canadian dollars unless otherwise indicated)

26 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with directors (Continued)

Jixing Gas Handling and Voyager Compression Agreements (Continued)

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	433,438	–	433,438	5,201,250

Pursuant to the Jixing Gas Handling and Voyager Compression Agreements (collectively the "**Jixing GHCA**"), past costs incurred by the Company in respect of the Voyager gas gathering system and pipeline projects will be repaid by Jixing, along with annual charges of overhead and administrative costs incurred by the Company on behalf of Jixing. For the year ended December 31, 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.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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:

		Basis for recognising ECL	
Category	**Description**	**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

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The Company's exposure to credit risk (Continued)

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.

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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**	**430,704**	**430,704**	**–**	**–**
Lease liabilities	**31,703**	**34,256**	**20,323**	**8,801**	**5,132**
Total	**53,745,419**	**57,708,012**	**30,436,446**	**8,801**	**27,262,765**
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	44,943,429	49,762,666	16,498,706	7,414,378	25,849,582

(1) Carrying amount is the net value of shareholder loans as per Note 13.
(2) Carrying amount is the term debt value per Note 13 less the deferred financing costs.
(3) Carrying amount is the long-term payable fair value per Note 13.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates that will affect the Company's valuation of financial instruments, the debt levels of the Company, as well as its 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.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

Foreign currency risk (Continued)

As at December 31, 2025 and 2024, the Company's overall net exposure to foreign exchange risk is as follows:

	Year ended December 31,	
Expressed in C$	**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	**(12,410)**	(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	**(14,026,442)**	(16,073,810)

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.

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

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	**30,972,581**	16,277,974
Net debt	**54,638,613**	45,442,444
Shareholders' deficit	**(39,382,085)**	(21,460,975)
Total	**15,256,528**	23,981,469

(e) Performance services guarantee ("PSG") facility

On April 25, 2018, the Company obtained a PSG facility from Export 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).

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Performance services guarantee ("PSG") facility (Continued)

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$1,635 (2024: C$365).

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

(Expressed in Canadian dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

Fair value of the Company's financial instruments that are measured at fair value on a recurring basis (Continued)

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 (Note 13) *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	1,679
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	**(10,321)**
At December 31, 2025	**729,597**

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.

(Expressed in Canadian dollars unless otherwise indicated)

28 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. The following table outlines the Company's commitments to third parties/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.