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JX Energy Ltd.

(吉星新能源有限責任公司)*

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

**ANNOUNCEMENT OF UNAUDITED RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026**

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

The board of directors of JX Energy Ltd. is pleased to announce its unaudited condensed interim financial results for the three months ended March 31, 2026.

The board (the “**Board**”) of directors (the “**Directors**”) of JX Energy Ltd. (the “**Company**”) is pleased to announce the unaudited condensed interim financial results of the Company for the three months ended March 31, 2026 (the “**Interim Results**”) and its business updates. This announcement is issued by the Company pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). The Board and its Audit and Risk Committee have reviewed the Interim Results. Please see the attached announcement for further information.

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

Calgary, May 15, 2026
Hong Kong, May 15, 2026

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

** For identification purpose only*



JX Energy Ltd.

(吉星新能源有限責任公司)*

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2026 and 2025

**NOTICE OF NO AUDITOR REVIEW
OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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

** For identification purpose only*

STATEMENT OF FINANCIAL POSITION

As at March 31, 2026

(Expressed in Canadian dollars)

Unaudited

	Notes	As at March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
Assets			
Current assets:			
Cash and cash equivalents	4	102,597	83,758
Accounts receivable	5	935,135	1,318,865
Prepaid expenses and deposits		<u>1,111,004</u>	<u>621,490</u>
Total current assets		<u>2,148,736</u>	<u>2,024,113</u>
Non-current assets:			
Exploration and evaluation assets	6	123,479	123,479
Property, plant and equipment	7	15,586,836	16,228,650
Right of use assets	8	<u>205,947</u>	<u>28,925</u>
Total non-current assets		<u>15,916,262</u>	<u>16,381,054</u>
Total Assets		<u>18,064,998</u>	<u>18,405,167</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	4,900,710	5,961,321
Current portion of long-term debt	10	12,000,059	15,465,435
Current portion of long-term payable	10	–	7,382,579
Convertible debentures – liability component	10	–	2,157,550
Convertible debentures – derivative component	10	–	729,597
Other loans	12	1,195,941	400,215
Current portion of lease liabilities	8	65,519	18,549
Decommissioning liabilities	11	<u>881,448</u>	<u>881,448</u>
Total current liabilities		<u>19,043,677</u>	<u>32,996,694</u>

	<i>Notes</i>	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Non-current liabilities:			
Long-term payable	<i>10</i>	24,851,144	23,652,878
Lease liabilities	<i>8</i>	141,761	13,154
Decommissioning liabilities	<i>11</i>	1,127,748	1,124,526
		<u>26,120,653</u>	<u>24,790,558</u>
Total non-current liabilities		26,120,653	24,790,558
Total liabilities		<u>45,164,330</u>	<u>57,787,252</u>
Shareholders' equity:			
Share capital	<i>13</i>	242,071,308	229,265,223
Contributed surplus		13,525,838	13,525,838
Accumulated deficit		<u>(282,696,478)</u>	<u>(282,173,146)</u>
Total shareholders' deficit		<u>(27,099,332)</u>	<u>(39,382,085)</u>
Total Liabilities and Shareholders' Deficit		<u>18,064,998</u>	<u>18,405,167</u>
Going concern	<i>3</i>		
Commitments	<i>21</i>		
Subsequent Events	<i>22</i>		

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

STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2026

(Expressed in Canadian dollars)

Unaudited

		Three months ended	
		March 31,	
	<i>Notes</i>	2026	2025
Revenue			
Commodity sales from production	14	3,044,820	2,908,480
Trading revenue	14	28	9,827
Royalty expense		<u>(152,856)</u>	<u>(198,430)</u>
Total net revenue		2,891,992	2,719,877
Other income	14	1,824	3,535
Expenses			
Operating expenses		(1,834,724)	(4,198,513)
General and administrative expenses		(239,920)	(193,102)
Depletion, depreciation and amortisation		<u>(656,912)</u>	<u>(892,806)</u>
Total expenses		<u>(2,731,556)</u>	<u>(5,284,421)</u>
Profit/(loss) from operations		162,260	(2,561,009)
Finance costs	15	(1,189,861)	(1,015,287)
Change in fair value of derivative component of convertible debentures	10	–	339
Gain on conversion of debts, net	10	4,269	–
Gain on disposal of assets		<u>500,000</u>	–
Loss before tax		(523,332)	(3,575,957)
Income taxes		<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the year		<u>(523,332)</u>	<u>(3,575,957)</u>
Loss per share			
Basic and diluted	17	<u>(0.00)</u>	<u>(0.01)</u>

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2026

(Expressed in Canadian dollars)

Unaudited

		Share	Contributed	Accumulated	Total
	Notes	capital	surplus	deficit	shareholders'
					deficit
At January 1, 2026		229,265,223	13,525,838	(282,173,146)	(39,382,085)
Convertible debt redeemed	10	1,473,645	–	–	1,473,645
Capitalization of Jixing Operation Liability	10	7,494,290	–	–	7,494,290
Capitalization of Shareholder Loan	10	3,838,150	–	–	3,838,150
Loss and total comprehensive loss for the year		–	–	(523,332)	(523,332)
At March 31, 2026		242,071,308	13,525,838	(282,696,478)	(27,099,332)
	Notes	Share	Contributed	Accumulated	Total
		capital	surplus	deficit	shareholders'
					deficit
At January 1, 2025		222,417,603	15,193,215	(259,071,793)	(21,460,975)
Share-based expenses		–	1,778	–	1,778
Fair value adjustment on long term payable	10	–	430,661	–	430,661
Loss and total comprehensive loss for the year		–	–	(3,575,957)	(3,575,957)
At March 31, 2025		222,417,603	15,625,654	(262,647,750)	(24,604,493)

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

STATEMENT OF CASH FLOWS

For the three months ended March 31, 2026

(Expressed in Canadian dollars)

Unaudited

	<i>Notes</i>	Three months ended March 31,	
		2026	2025
Cash flows from operating activities:			
Loss before tax		(523,332)	(3,575,957)
Items not involving cash:			
Depletion, depreciation and amortisation		656,912	892,806
Share-based expenses		–	1,778
Finance costs		962,199	838,366
Unrealised foreign exchange (gain)/loss		212,949	85,189
Change in fair value of derivative component of convertible debentures	10	–	(339)
Gain on conversion of debts, net	10	(4,269)	–
		<hr/>	<hr/>
Operating gain/(loss) before working capital changes		1,304,459	(1,758,157)
Changes in working capital, net	4	(1,185,226)	1,529,754
		<hr/>	<hr/>
Cash generated from/(used in) operations		119,233	(228,403)
Income tax paid		–	–
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		119,233	(228,403)
Cash flows from investing activities:			
Expenditures on property, plant and equipment		(38,952)	(33,980)
Expenditures on exploration and evaluation assets		–	(371,244)
		<hr/>	<hr/>
Net cash used in investing activities		(38,952)	(405,224)
Cash flows from financing activities:			
Convertible debentures proceed received prior to issuance		–	(2,114,801)
Proceeds from issuance of convertible debentures		–	2,114,801
Proceeds from shareholder loans	10	–	1,063,150
Repayment of shareholder loans	10	–	(228,413)
Repayment of principal portion of lease payments	8	(17,212)	(139,770)
Repayment of interest portion of lease payments	8	(2,977)	(12,519)
Repayment of term debt	10	(41,100)	(99,931)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		(61,289)	582,517
Net increase/(decrease) in cash and cash equivalents		18,992	(51,110)
Effect of exchange rate changes on cash and cash equivalents		(153)	(97)
Cash and cash equivalents, beginning of period		83,758	211,491
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	4	102,597	160,284
		<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2026

(Expressed in Canadian dollars unless otherwise indicated)

Unaudited

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

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended December 31, 2025. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the audited annual financial statements for the year ended December 31, 2025 (the “**Financial Statements**”) and should be read in conjunction with the Financial Statements and the notes thereto. The disclosures provided below are incremental to those included in the Financial Statements. These unaudited condensed interim financial statements were approved by the board (the “**Board**”) of directors (the “**Directors**”) on May 15, 2026.

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

3 GOING CONCERN

The Company incurred a net loss of C\$523,332 for the three months ended March 31, 2026 and, as at March 31, 2026, the Company's current liabilities exceeded its current assets by C\$16,894,941. The Company's cash and cash equivalents amounted to C\$102,597 as at March 31, 2026. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

In assessing the Company's ability to continue as a going concern, the directors have implemented a number of measures to improve the Company's liquidity and financial position, including:

- On March 2, 2026, the Company completed the settlement of approximately US\$1.08 million (equivalent to approximately C\$1.48 million) of convertible debentures through the issuance of shares;
- On March 2, 2026, the Company completed a loan capitalisation to settle approximately C\$3.84 million of shareholder loans and approximately C\$7.49 million of certain long-term payables through the issuance of shares;
- On January 22, 2026, the Company entered into agreements to defer certain gas handling and gas compression charges for two years commencing January 1, 2026;
- The Company has continued to seek additional financing and debt replacement opportunities, while implementing measures to improve working capital and reduce operating and administrative costs; and
- A private company controlled by one of the shareholders of the Company has indicated its intention to provide financial support to the Company as required.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations and the measures mentioned above. Apart from the completed transactions mentioned above, there are no assurances that any other transactions will be completed on terms acceptable to the Company. If the Company is unable to make its scheduled payments on its term debt to CIMC and related Shareholder Loan, these facilities may be called by the lender.

These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding this, based on the cash flow projection, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the use of the going concern basis in preparation of the financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Company's assets to their realizable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

4 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

<i>C\$</i>	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Deposits with banks and other financial institutions	100,592	81,753
Cash on hand	<u>2,005</u>	<u>2,005</u>
Cash and cash equivalents in the statement of financial position and statement of cash flows	<u>102,597</u>	<u>83,758</u>

(b) Supplementary cash flows information

<i>C\$</i>	Three months ended March 31,	
	2026	2025
Changes in working capital, net:		
Accounts receivable	383,730	(355,158)
Prepaid expenses and deposits	(489,514)	(419,702)
Accounts payable and accrued liabilities and long-term payable	<u>(1,079,442)</u>	<u>(126,265)</u>
	<u>(1,185,226)</u>	<u>(901,125)</u>
Change in non-cash working capital included in investing and financing activities	–	(2,430,849)
Change in non-cash working capital included in operating activities	<u>(1,185,226)</u>	<u>1,529,724</u>
	<u>(1,185,226)</u>	<u>(901,125)</u>

5 ACCOUNTS RECEIVABLE

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Trade receivables	927,453	1,318,865
Other receivables	7,682	—
Total	935,135	1,318,865

As at January 1, 2025, the gross amount of trade receivables from contract with customers amounted to C\$691,842.

Other receivables represented GST receivables arising from adjustments made subsequent to the filing of the GST returns for the respective periods ended March 31, 2026.

(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 March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Within 1 month	927,453	1,318,780
1 to 3 months	—	85
Over 3 months	—	—
Total	927,453	1,318,865

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 three-month ended March 31, 2026 and year ended December 31, 2025.

6 EXPLORATION AND EVALUATION ASSETS

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Balance, beginning of period	123,479	3,884,950
Additions	–	2,360
Net disposals	–	–
Write-offs	–	(3,763,831)
Balance, end of period	123,479	123,479

Breakdown of net carrying amounts by CGUs:

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Basing CGU	23,949	23,949
Voyager CGU	94,810	94,810
Dawson CGU	4,720	4,720
Total	123,479	123,479

Exploration and evaluation assets (“E&E”) assets consist of undeveloped lands, unevaluated seismic data and unevaluated drilling and completion costs on the Company’s exploration projects which are pending the determination of proven or probable reserves in sufficient quantity to warrant commercial development. Transfers are made to Property, plant and equipment (“PP&E”) as proven or probable reserves are determined. E&E assets are expensed due to uneconomic drilling and completion activities and write-offs of lease expiries. Impairment is assessed by comparing the recoverable amount of an asset with its carrying amount, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

As at March 31, 2026 and 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.

For the three months ended March 31, 2026, there were no capitalized G&A costs, disposals, transfers to PP&E or write-offs. For the year ended December 31, 2025, the Company wrote-off C\$3,763,831 of E&E assets attributable to land lease expired in Voyager CGU.

As at March 31, 2026 and December 31, 2025, the Company assessed the E&E assets for impairment or recovery and did not record any impairment or recovery of its CGUs.

7 PROPERTY, PLANT AND EQUIPMENT

C\$	Cost	Accumulated depletion, depreciation and impairment	Net carrying amounts
At January 1, 2025	169,678,906	(149,018,815)	20,660,091
Additions	331,090	–	331,090
Change in decommissioning obligations	525,109	–	525,109
Depletion and depreciation	–	(1,927,446)	(1,927,446)
Impairment/Write-offs	–	(3,360,194)	(3,360,194)
	<hr/>	<hr/>	<hr/>
At December 31, 2025 and January 1, 2026	170,535,105	(154,306,455)	16,228,650
Additions	38,952	–	38,952
Disposal	(2,028,098)	2,028,098	–
Change in decommissioning obligations	(39,622)	–	(39,622)
Depletion and depreciation	–	(641,144)	(641,144)
Impairment	–	–	–
	<hr/>	<hr/>	<hr/>
At March 31, 2026	<u>168,506,337</u>	<u>(152,919,501)</u>	<u>15,586,836</u>

Breakdown of net carrying amounts by CGUs:

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Basing CGU	14,786,644	15,390,354
Voyager CGU	504,080	522,680
Dawson CGU	293,052	311,945
Unallocated corporate assets	3,060	3,671
	<hr/>	<hr/>
Total	<u>15,586,836</u>	<u>16,228,650</u>

Substantially all of PP&E consists of development and production assets. During the three months ended March 31, 2026 and year ended December 31, 2025, the Company's PP&E additions were comprised of expenditures at Basing, Voyager and Dawson CGUs. Included in PP&E additions for the three months ended March 31, 2026 are general and administrative expenses of approximately C\$0.03 million (2025: C\$0.1 million), which were capitalised in accordance with the Company's accounting policies.

As at March 31, 2026, certain physical PP&E with a cost of approximately C\$5.22 million (2025: C\$5.22 million) were pledged to secure the term debt granted to the Company as set out in Note 10.

During the three months ended March 31, 2026, 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 loss. The depletion calculation for the three months ended March 31, 2026 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. Refer to Note 4 in the Financial Statements for additional information on the Company's accounting policies.

As at March 31, 2026, the Company assessed the CGUs for impairment or recovery and did not record any impairment or recovery of its CGUs.

8 RIGHT OF USE ASSETS AND 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 (2025: 3 years). There are no lease contracts that include variable lease payments.

C\$	Oil and gas production equipment	Office space	Vehicles	Total
At January 1, 2025	55,198	132,395	9,352	196,945
Additions	–	–	23,802	23,802
Amortisation	<u>(55,198)</u>	<u>(123,965)</u>	<u>(12,659)</u>	<u>(191,822)</u>
At December 31, 2025 and January 1, 2026	–	8,430	20,495	28,925
Additions	–	192,789	–	192,789
Amortisation	<u>–</u>	<u>(13,784)</u>	<u>(1,983)</u>	<u>(15,767)</u>
At March 31, 2026	<u><u>–</u></u>	<u><u>187,435</u></u>	<u><u>18,512</u></u>	<u><u>205,947</u></u>

Additions to the rights of use assets for the three months ended March 31, 2026 amounted to C\$192,789 due to a new lease of office space in Canada (2025: C\$23,802).

(b) Lease liabilities

C\$	Oil and gas production equipment	Office space	Vehicles	Total
At January 1, 2025	74,329	167,922	8,814	251,065
Additions	–	–	23,802	23,802
Interest expense	8,920	12,659	994	22,573
Lease payment	<u>(83,249)</u>	<u>(170,035)</u>	<u>(12,453)</u>	<u>(265,737)</u>
At December 31, 2025	–	10,546	21,157	31,703
At January 1, 2026	–	10,546	21,157	31,703
Additions	–	192,789	–	192,789
Interest expense	–	2,759	218	2,977
Lease payment	<u>–</u>	<u>(17,988)</u>	<u>(2,201)</u>	<u>(20,189)</u>
At March 31, 2026	<u>–</u>	<u>188,106</u>	<u>19,174</u>	<u>207,280</u>

Future lease payments are due as follows:

C\$	Future lease payments	Interest	Present value
At March 31, 2026			
Within 1 year	85,664	20,145	65,519
1 to 2 years	86,398	12,519	73,879
2 to 5 years	<u>74,796</u>	<u>6,914</u>	<u>67,882</u>
Total	<u>246,858</u>	<u>39,578</u>	<u>207,280</u>

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, which is ranging from 3.99% to 9.25% (2025: 3.99% to 9.25%) for the oil and gas production equipment, office space and vehicles.

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Trade payables	1,710,420	1,401,062
Accrued liabilities	<u>1,856,959</u>	<u>2,331,437</u>
Total trade payables and accrued liabilities	3,567,379	3,732,499
Capital payables	864,266	1,254,849
Interest payables	–	12,410
Other payables	<u>469,065</u>	<u>961,563</u>
Total	<u>4,900,710</u>	<u>5,961,321</u>

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

Notes:

(a) Trade payables

Aging analysis of trade payables

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

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Within 1 month	437,647	229,736
1 to 3 months	487,546	299,704
4 to 12 months	357,340	373,987
1 to 2 years	313,935	367,573
Over 2 years	<u>113,952</u>	<u>130,062</u>
Total	<u>1,710,420</u>	<u>1,401,062</u>

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.

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

Long-term debt

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

<i>C</i> \$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
Shareholder loans	8,628,644	12,160,215
Term debt	3,424,979	3,372,176
Less: deferred financing costs related to term debt	<u>(53,564)</u>	<u>(66,956)</u>
Total	<u>12,000,059</u>	<u>15,465,435</u>
Analysed as:		
Current	12,000,059	15,465,435
Non-current	<u>—</u>	<u>—</u>

(a) Term debt

On March 27, 2023, the Company obtained new long-term debt of US\$3.50 million (equivalent to approximately C\$4.80 million) from CIMC Leasing USA, Inc. (the “**CIMC Loan**”). The CIMC Loan has a term of 48 months, bears interest of 9.25% per annum and is secured by certain PP&E owned by the Company 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 (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 will be considered in default and repayable on demand. During the three months ended March 31, 2026, the Company made one repayment of principal of C\$41,100.

As at March 31, 2026, there are seventeen months (2025: fourteen months) of interests together with principal payments on Jixing Loan of approximately C\$4.74 million (equivalent to approximately US\$3.40 million) (2025: C\$3.84 million (equivalent to approximately US\$2.80 million)) and on the CIMC Loan of approximately C\$2.07 million (equivalent to approximately US\$1.49 million) (2025: C\$1.68 million (equivalent to approximately US\$1.23 million)), in arrears.

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

(b) Shareholder loans

C\$	As at March 31, 2026 <i>(Unaudited)</i>	As at December 31, 2025 <i>(Audited)</i>
2019 Shareholder Loan	–	635,846
2020 Shareholder Loan	–	1,949,430
Jixing Loan	7,924,105	7,707,830
2024 Shareholder Loan	87,000	86,420
2025 Shareholder Loan	617,539	1,780,689
Total	<u>8,628,644</u>	<u>12,160,215</u>

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. 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 on the same day. On March 11, 2022, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan to December 23, 2024. On December 19, 2023, the Company and Jixing agreed to further extend the term of the 2019 Shareholder Loan to December 23, 2025. On December 31, 2024, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan to December 23, 2026. As at December 31, 2025, the entire balance has been classified as current.

On June 2, 2020, Yongtan Liu, an executive director of the Company and beneficial owner of Jixing Gas Holding Limited which is a shareholder of the Company, advanced C\$2.00 million to the Company (the “**2020 Shareholder Loan**”). The proceeds of the 2020 Shareholder Loan were used for working capital and general corporate purposes. The 2020 Shareholder Loan had an initial term of two years, is unsecured, non-interest bearing, carries no covenants, and is repayable at any time at the Company’s sole discretion. In calculating the approximately C\$1.84 million fair value of the 2020 Shareholder Loan as at June 2, 2020, the Company assumed an effective interest rate of 4% per annum base plus one month CDOR, over the term of the 2020 Shareholder Loan. On this basis the effective rate was 4.28% per annum, comprised of 4% base plus 0.28% CDOR. The residual of approximately C\$0.16 million was recorded to contributed surplus 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 three months ended March 31, 2026, the Company has made nil repayment of interest and principal. As at March 31, 2026, the outstanding balance together with accrued interest of the Jixing Loan was approximately C\$7.92 million (equivalent to approximately US\$5.68 million) (2025: C\$7.71 million (equivalent to approximately US\$5.62 million)). Such Jixing Loan was linked with CIMC Loan as set out in Note 10(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 13) during the year ended December 31, 2024. As at December 31, 2025, the entire balance has been classified as current.

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

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

Upon the completion of the allotment and issuance of common shares on March 2, 2026, in relation to the abovementioned Loan Capitalisation Agreement, the 2019 Shareholder Loan, 2020 Shareholder Loan and partial of the 2025 Shareholder Loan amounting to C\$3,838,150 in aggregate has been 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 March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
Balance, beginning of period	31,035,457	20,696,153
Additions	–	9,932,572
Fair value adjustments to contributed surplus	–	(1,400,190)
Less: Repayments	–	(462,000)
Less: Capitalization	(7,494,290)	–
Less: Loss on capitalization of debt	644,065	–
Accretion expenses	665,912	2,268,922
	<u>24,851,144</u>	<u>31,035,457</u>
Analysed as:		
Current	–	7,382,579
Non-current	<u>24,851,144</u>	<u>23,652,878</u>

The Company signed the Jixing Gas Handling and Jixing Voyager Compression Agreements (collectively the “**Jixing GHCA**”) with a related party Jixing Energy (Canada) Ltd. (“**Jixing**”). Under the terms of the Jixing GHCA, the Company incurs monthly costs increasing the total liability over time. Per the terms of the subordination agreement, the Company may make payments against the Jixing GHCA liability for regular operating payments. 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**”) (Note 19(b)). 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. Based on this agreement, the Company incurred nil cost related to the Jixing GHCA during the three months ended March 31, 2026 (2025: C\$2.3 million). 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.

Nil adjustments was recognised in contributed surplus during the three months ended March 31, 2026 in respect of the fair value adjustment on additions to long-term payables (2025: C\$0.43 million).

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%.

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 has been settled through Loan Capitalisation Agreement as discussed in Note 10(b). Upon the completion of the allotment and issuance of common shares on March 2, 2026, in relation to the abovementioned Loan Capitalisation Agreement, partial of the Jixing GHCA liability amounting to C\$7,494,290 has been 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.

Convertible debentures

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

	Liability component	Derivative component
	C\$	C\$
As at January 1, 2025	2,372,260	41,714
Transfer from other payable	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	(263,155)	–
Interest expenses	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)
	<u>2,157,550</u>	<u>729,597</u>
As at December 31, 2025 and January 1, 2026		
Conversion of convertible debentures	(747,673)	(725,972)
Transfer to other loan	(728,732)	–
Interest expenses	40,813	–
Loss on conversion of convertible debentures	(711,238)	–
Exchange adjustments	(10,720)	(3,625)
	<u>(1,157,350)</u>	<u>(729,597)</u>
As at March 31, 2026	<u>–</u>	<u>–</u>

References are made to the Company's announcements dated July 25, 2024, July 26, 2024, April 11, 2025, May 14, 2025, November 3, 2025, January 29, 2026 and March 2, 2026.

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 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 12).

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

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

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

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

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 an 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 (Note 12).

11 DECOMMISSIONING LIABILITIES

<i>C\$</i>	As at March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
Balance, beginning of period	2,005,974	1,451,965
Effect of changes in estimates	(39,622)	525,109
Accretion expense	42,844	28,900
	<hr/>	<hr/>
Balance, end of period	2,009,196	2,005,974
	<hr/>	<hr/>
Analysed as:		
Current	881,448	881,448
Non-current	1,127,748	1,124,526
	<hr/> <hr/>	<hr/> <hr/>

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 March 31, 2026, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C\$2.30 million (2025: C\$2.30 million) which will be incurred between 2026 and 2046 (2025: Same). The majority of these costs were estimated to be incurred by 2046 (2025: Same). As at March 31, 2026, an annual risk-free rate of 3.81% (2025: 3.80%) and an inflation rate of 2.10% (2025: 2.10%) per annum were used to estimate the decommissioning costs to reclaim and abandon the facilities in future years.

12 OTHER LOANS

C\$	As at March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
Balance, beginning of period	400,215	–
Reclass of interest	12,410	–
Addition	728,732	400,215
Interest expense	31,480	–
Foreign exchange adjustments on principal	22,893	–
Foreign exchange adjustments on accrued interest	211	–
	<hr/>	<hr/>
Balance, end of period	1,195,941	400,215
	<hr/>	<hr/>
Analysed as:		
Current	1,195,941	400,215
Non-current	–	–
	<hr/> <hr/>	<hr/> <hr/>

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.

During the three months ended March 31, 2026, 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 (equivalent to approximately C\$0.73 million), 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 20.

13 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, 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 market value	–	2,707,078
Share issue costs	–	(17,159)
Conversion of convertible debentures	62,548,866	2,193,562
	<u>617,264,159</u>	<u>229,265,223</u>
At December 31, 2025 and January 1, 2026		
Capitalization of long-term payable	42,028,438	1,473,645
Capitalization of shareholder loan	138,875,732	7,494,290
Conversion of convertible debentures	71,124,268	3,838,150
	<u>71,124,268</u>	<u>3,838,150</u>
At March 31, 2026	<u>869,292,597</u>	<u>242,071,308</u>

On March 2, 2026, the Company issued 42.03 million 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) instead of cash repayment under the convertible debenture agreement (Note 10);

On March 2, 2026, the Company has completed the loan capitalisation 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 71.12 million and 138.88 million shares to the lender (Note 10);

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.

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.

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.

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.

(c) Share options and share-based expenses:

The Company adopted a share option plan on June 8, 2018 (the “**Option Plan**”) for a term of 10 years. The purpose of the Option Plan is to provide incentives and rewards to eligible participants, including directors, employees and consultants of the Company, for their contribution to the long-term growth and success of the Company.

During the three months ended March 31, 2026, no share options were granted, exercised, cancelled or forfeited (2025: Nil). As at March 31, 2026 and December 31, 2025, there were no outstanding share options under the Option Plan.

No share-based compensation expense was recognised during the three months ended March 31, 2026 (2025: C\$1,778).

During the year ended December 31, 2025, a total of 3,080,200 share options were forfeited or lapsed, including 800,200 share options forfeited following the resignation of employees during the vesting period and 2,280,000 share options lapsed upon expiry. Accordingly, an amount of C\$366,416 previously recognised in contributed surplus was transferred to accumulated deficit during the year ended December 31, 2025.

The Company did not have any share options outstanding, exercisable or available for exercise as at March 31, 2026. Accordingly, there was no dilutive impact from share options on the Company's basic and diluted loss per share for the three months ended March 31, 2026.

(d) Contributed surplus:

As at March 31, 2026 and December 31, 2025, contributed surplus is comprised of the fair value adjustment to long-term payable, difference between the deemed fair value and gross value of the Shareholder Loans at the date of initial recognition, share-based expenses recognised when vested 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.

14 REVENUE AND OTHER INCOME

Revenue and other income summary

<i>C\$</i>	Three months ended March 31,	
	2026	2025
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	2,818,800	2,635,246
Crude oil	226,020	273,234
Total commodity sales from production	<u>3,044,820</u>	<u>2,908,480</u>
Trading revenue		
Natural gas trading revenue	5,544	15,781
Natural gas trading cost	(5,516)	(5,954)
Total trading revenue	<u>28</u>	<u>9,827</u>
Other income	<u>1,824</u>	<u>3,535</u>

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

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

During the three months ended March 31, 2026 and 2025, the Company has applied the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to performance obligations that were unsatisfied to the above contracts as all contracts that had an original expected duration of one year or less.

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

Information about major customers

During the three months ended March 31, 2026, the Company had three (2025: five) active customers, of which one (2025: two) customer exceeded 10% of the Company's revenues. During the three months ended March 31, 2026, the Company's largest customer accounted for 82% of revenues (2025: 71%), the second largest customer accounted for 9% of revenues (2025: 14%).

Geographical information

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

Timing of revenue recognition

For the three months ended March 31, 2026 and 2025, all of the Company's revenues and commodity sales from production is recognized at a point in time.

15 FINANCE COSTS

C\$	Three months ended	
	March 31,	
	2026	2025
Interest expenses and financing costs:		
Term debt (Note 10)	41,812	68,235
Shareholder loans – Jixing Loan (Note 10)	95,570	155,966
Lease liabilities (Note 8(b))	2,976	12,519
Commitment charges ¹	24,800	1,689
Convertible debentures (Note 10)	40,813	117,016
Other loans (Note 10)	31,480	–
Other financing costs and bank charges	13,017	4,984
Accretion expenses:		
Decommissioning liabilities (Note 11)	42,844	24,260
Shareholder loans, except for Jixing Loan (Note 10)	27,400	60,345
Long-term payable (Note 10)	665,912	471,693
Amortisation of deferred financing costs related to term debt (Note 10)	13,391	13,391
(Gain)/loss on foreign exchange ²	189,846	85,189
	<u>1,189,861</u>	<u>1,015,287</u>
Total finance costs	1,189,861	1,015,287

- (1) For the three months ended March 31, 2026 and 2025, commitment charges are primarily comprised of costs associated with the Company's PSG facility.
- (2) For the three months ended March 31, 2026 and 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.

16 INCOME TAX EXPENSE

No provision for income tax was made for the three months ended March 31, 2026 and year ended December 31, 2025 as the Company had no assessable profits for both years.

During the three months ended March 31, 2026, the blended statutory tax rate was 23% (2025: 23%).

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 (2025: approximately C\$56 million that will expire from 2037 to 2044).

17 LOSS PER SHARE – BASIC AND DILUTED

<i>C\$ except share amounts</i>	Three months ended	
	March 31,	
	2026	2025
Loss for the year	(523,332)	(3,575,957)
Weighted average number of common shares	698,473,322	522,886,520
Dilutive shares	<u>–</u>	<u>104,577,304</u>
Loss per share – basic and diluted	<u>(0.00)</u>	<u>(0.01)</u>

Basic loss per share is calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potential shares, which is comprised of any outstanding share options or convertible debentures.

No diluted loss per share for the three months ended 31 March 2026 as there were no potential ordinary shares in issue.

There were 3.08 million options and the maximum number of shares related to the convertible shares were excluded from the weighted-average share calculations for the three months ended March 31, 2025 because they were anti-dilutive.

18 DIVIDEND

The directors of the Company did not recommend or declare the payment of any dividend in respect of the three months ended March 31, 2026 and 2025.

19 RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, during the periods, 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 is as follows:

C\$	Three months ended	
	March 31, 2026	2025
Director's fees	30,000	29,918
Salaries, allowance and other benefits	78,125	99,149
Contribution to retirement benefits scheme	–	1,778
Share-based expenses and phantom unit adjustments	4,544	7,125
Total	112,669	137,970

(b) Transactions with directors

Directors' Fees and Phantom Unit Plan

Following the resignation of the last independent non-executive director participating in the Phantom Unit Plan on December 24, 2024, none of the newly appointed independent non-executive directors has participated in this plan. Accordingly, no director's fees in relation to the Phantom Unit Plan was recognised for the three months ended March 31, 2026 and 2025.

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. 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\$0.03 million for the three months ended March 31, 2026 (2025: C\$0.03 million).

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.

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.

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.

Accordingly, no gas handling charges or gas compression charges were incurred by the Company for the three months ended March 31, 2026 under the Amendments to Jixing GHCA (2025: 1.88 million and 0.51 million).

On March 2, 2026, the Company completed a loan capitalisation, pursuant to which approximately C\$7.49 million of long-term payables in respect of Jixing gas handling and gas compression charges were partially settled through the allotment and issuance of 138.88 million shares to the lender (Note 13).

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.

Shareholder Loans

Details of the shareholder loans are set out in Note 10.

20 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 March 31, 2026 and December 31, 2025, 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 (2025: Same).

As at March 31, 2026, the Company's trade receivables consisted of approximately C\$0.93 million (2025: C\$1.32 million) due from purchasers of the Company's crude oil and natural gas.

Deposits and other receivables

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

Deposits with banks and other financial institutions

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

The Company's exposure to credit risk

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

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

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

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

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

					As at March 31, 2026	As at December 31, 2025
	<i>Notes</i>	External Credit Rating	Internal Credit Rating	12-month or Lifetime ECL	Gross carrying amount C\$	Gross carrying amount C\$
Financial assets at amortised cost						
Deposits with banks and other financial institutions	4	A1 – Aa2	N/A	12-month ECL	100,592	81,753
Deposits and other receivables	5	N/A	N/A	12-month ECL	7,682	–
Trade receivables	5	N/A	Performing	Lifetime ECL – not credit impaired	927,453	1,318,865
					<u>1,035,727</u>	<u>1,400,618</u>

(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 March 31, 2027 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 March 31, 2026.

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 March 31, 2026					
Accounts payable and accrued liabilities	3,627,152	3,627,152	3,627,152	–	–
Long-term debt – shareholder loans ¹	8,628,644	8,628,644	8,628,644	–	–
Long-term debt – term debt ²	3,371,415	3,424,979	3,424,979	–	–
Long-term payable ³	24,851,144	27,257,633	–	–	27,257,633
Convertible debentures – liability component	–	–	–	–	–
Other loans	1,195,941	1,195,941	1,195,941	–	–
Lease liabilities	207,280	246,858	85,664	86,398	74,796
Total	<u>41,881,576</u>	<u>44,381,207</u>	<u>16,962,380</u>	<u>86,398</u>	<u>27,332,429</u>
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	–	–
Lease liabilities	400,215	431,103	431,103	–	–
Total	<u>53,745,419</u>	<u>57,708,411</u>	<u>30,436,845</u>	<u>8,801</u>	<u>27,262,765</u>

- i. Carrying amount is the net value of shareholder loans as per Note 10.
- ii. Carrying amount is the term debt value per Note 10 less the deferred financing costs.
- iii. Carrying amount is the long-term payable fair value per Note 10.

(c) Market risk

Market risk is the risk that changes in market metrics, such as commodity prices, foreign exchange rates and interest rates that will affect the Company's valuation of financial instruments, the debt levels of the Company, as well as its 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 period ended March 31, 2026 and year ended December 31, 2025.

Interest rate risk

As at March 31, 2026, the Company's debts are comprised of lease liabilities, shareholder loans, term debt, other loans and amounts owing under the Contract (refer to Note 10 and 12), which all carry a fixed interest rate (2025: Same except for convertible debentures).

As at March 31, 2026 and December 31, 2025, the Company has no variable rate borrowings. For the period ended March 31, 2026 and year ended December 31, 2025, the exposure to cash flow interest rate risk on deposits with banks and other financial institutions are insignificant.

Foreign currency risk

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

The Company's businesses are principally conducted in C\$. The Company has transactional currency exposures. Such exposures arise from financing and operating activities of the Company's entities conducted in currencies other than the functional currency. The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian versus United States or Hong Kong vendors as well as timing of transactions. The Company recognises a foreign exchange gain/loss based on the revaluation of monetary items held in United States Dollars ("USD") or Hong Kong Dollars ("HKD") and the value changes with the fluctuation in the USD/CAD and HKD/CAD exchange rates.

As at March 31, 2026 and December 31, 2025, the Company's overall net exposure to foreign exchange risk is as follows:

<i>Expressed in C\$</i>	As at March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
HKD Cash and cash equivalents	1,533	1,518
HKD Accounts payable and accrued liabilities	(286,807)	(377,779)
USD Accounts payable and accrued liabilities	(23,715)	(12,095)
USD Other loans	(1,195,941)	(400,215)
USD Long-term debt (current and non-current portions)	(11,349,085)	(11,080,006)
USD Convertible debentures	–	(2,157,550)
Overall net exposure	<u>(12,854,015)</u>	<u>(14,026,127)</u>

With all other variables held constant, changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements for the period ended March 31, 2026 and year ended December 31, 2025. Changes in the USD/CAD foreign exchange rate +/- US\$0.01 would increase/decrease the foreign exchange gain by approximately C\$0.1 million (2025: C\$0.1 million) and increase/decrease the Company's USD denominated debt by the same amounts for the period ended March 31, 2026.

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

(d) Capital management

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

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

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

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

The Company's overall strategy remains unchanged from 2024.

The following represents the capital structure of the Company:

C\$	As at March 31, 2026 (Unaudited)	As at December 31, 2025 (Audited)
Non-current portion of long-term debt	–	–
Non-current portion of long-term payable	24,851,144	23,652,878
Non-current lease liabilities	141,761	13,154
Net working capital deficit	<u>16,894,941</u>	<u>30,972,581</u>
Net debt	41,887,846	54,638,613
Shareholders' deficit	<u>(27,099,332)</u>	<u>(39,382,085)</u>
Total	<u>14,788,514</u>	<u>15,256,528</u>

(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. 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's:

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

During the year ended December 31, 2025, the holder of the C\$0.08 million 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 August 31, 2026. As the facility was not approved for renewal, the PSG coverage terminated upon the expiry of the existing L/C.

During the three months ended March 31, 2026, the holder of the C\$0.65 million L/C called the L/C. The Company settled C\$0.46 million in cash, and the remaining C\$0.19 million was covered under the PSG facility. The Company will repay the amount covered by EDC in equal monthly installments over nine months commencing in April 2026, with the balance to be fully repaid by December 2026.

(f) Fair value measurements of financial instruments

The fair value of the derivative component of convertible debentures was classified as Level 3 under the fair value hierarchy.

There were no transfers between Level 1, Level 2 and Level 3 during the three months ended March 31, 2026 and the year ended December 31, 2025.

The movement in the Level 3 fair value measurement of the derivative component is as follows:

<i>Reconciliation of Level 3 fair value measurements</i>	Derivative component <i>(Note 13)</i> C\$
At January 1, 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 and January 31, 2026	<u>729,597</u>
Conversion of convertible debentures	(725,972)
Exchange adjustments	<u>(3,625)</u>
<i>At March 31, 2026</i>	<u><u>—</u></u>

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

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

As at March 31, 2026, the Company had no outstanding derivative financial liabilities measured at fair value following the settlement and conversion of the related convertible debentures during the period.

21 COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company's business. The following table outlines the Company's commitments 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 March 31, 2026					
Transportation commitment ¹	2,255,177	2,255,177	–	–	–
Jixing GHCA ²	104,550,120	–	4,032,218	29,000,715	71,517,187
PSG facility ³	–	–	–	–	–
Total	106,805,297	2,255,177	4,032,218	29,000,715	71,517,187
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

(1) Jixing GHCA are predominantly non-cash payables due to being subordinated to the term debt (see Note 10). On January 22, 2026, the Company and Jixing entered into Amendments to Jixing GHCA to defer the charges from 2026 onwards as set out in Note 10.

(2) As the facility was not approved for renewal, the PSG coverage terminated upon the expiry of the existing L/C as set out in Note 20(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.

22 SUBSEQUENT EVENTS

There are no major subsequent events occurring after the reporting period.



JX Energy Ltd.

(吉星新能源有限責任公司)*

(incorporated under the laws of Alberta with limited liability)

(Stock Code: 3395)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2026 and 2025

** For identification purpose only*

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“**MD&A**”) of JX Energy Ltd., (“**JX**” or “**JX Energy**” or the “**Company**”) should be read in conjunction with the Company’s audited financial statements and notes thereto for the years ended December 31, 2025 and 2024 (the “**Financial Statements**”). All amounts and tabular amounts in this MD&A are stated in thousands of Canadian dollars (“**C\$000**”) unless indicated otherwise. This MD&A is dated May 15, 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

During 2025, commodity prices experienced frequent and significant volatility as the ongoing global impact of the wars in Ukraine and the Middle East, climate-related factors, global trade developments and tariff negotiations continued to affect global commodity markets. During the first three quarters of 2025, these factors 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 in part by seasonal demand and improving market conditions. This late-year recovery partially offset the weaker pricing environment experienced earlier in the year.

During the first quarter of 2026, geopolitical tensions in the Middle East increased, contributing to constraints on crude oil supply and higher global oil prices. In response to the stronger oil price environment, crude oil production in North America increased. This increase in oil production resulted in higher associated natural gas output, contributing to increased supply in the North American gas market. As a result, natural gas prices during the first quarter of 2026 declined significantly compared to the fourth quarter of 2025, reversing much of the price recovery observed at the end of the prior 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 2027 and 2028, subject to the availability of capital and commodity prices reaching levels comparable to the averages experienced in 2022.

Natural gas power project and LNG 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 March 31, 2026, the Company has spent approximately C\$0.23 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.

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.

On January 16, 2026, the Company announced a 75 KTPA (thousand tonnes per annum) liquefied natural gas (“**LNG**”) project. On April 20, 2026, the Company received a disposition from the Alberta Energy Regulator (“**AER**”) for the LNG project. The disposition covers a total project area of approximately 17 hectares (170,000 m²) and is effective from April 20, 2026 to April 19, 2051. The Company continues to advance the LNG project and pursue the remaining regulatory approvals and permits.

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

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

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

Loan capitalisation

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.

SELECTED QUARTERLY INFORMATION

Daily Average Production	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Natural gas (mcf/d)	8,655	6,070	219	7,194	10,231	3,746	(16)	1,361
Crude oil (bbls/d)	32	31	31	31	26	28	33	36
NGLs and condensate (bbls/d)	67	53	4	67	75	33	-	17
Total production (boe/d)	1,542	1,095	72	1,297	1,807	685	30	280
Daily Average Trading								
Natural gas (boe/d)	3	7	2	3	13	18	3	4
Daily Average Sales (boe/d)	1,545	1,102	74	1,300	1,820	703	33	284
Financial	Q4 2025	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
<i>C\$000s except share amounts</i>								
Production revenue	3,045	2,112	256	2,125	2,908	1,174	252	715
Net trading (loss) revenue	-	1	-	(8)	10	-	(2)	-
Royalties (expense) recovery	(153)	(247)	(17)	(151)	(198)	(78)	(48)	70
Operating costs	(1,835)	(3,910)	(3,495)	(3,990)	(4,199)	(3,358)	(3,169)	(3,318)
Operating netback ¹	1,057	(2,044)	(3,255)	(2,024)	(1,479)	(2,262)	(2,967)	(2,533)
Net (loss) income	(523)	(8,272)	(6,307)	(5,313)	(3,576)	(8,777)	(4,212)	(3,848)
Adjusted EBTIDA ⁴	1,324	(1,150)	(1,130)	137	718	702	(1,251)	(725)
Net working capital ²	(16,895)	(30,973)	(23,177)	(24,029)	(16,261)	(16,278)	(20,606)	(13,307)
Total assets	18,065	18,405	20,023	21,924	25,726	25,888	30,812	31,340
Capital expenditures (disposals) ³	39	186	67	52	28	27	43	82
Loss per share basic	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Loss per share diluted	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(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 March 31, 2026, C\$12 million of term debt and 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.

In Q1 2026, the Company recorded a net loss; however, the magnitude of the loss decreased significantly compared with the previous quarter. During the quarter, geopolitical tensions in the Middle East contributed to increased crude oil production in North America and a corresponding rise in associated natural gas supply, resulting in an unusual decline in natural gas prices during the winter season. Despite the weaker pricing environment, the Company benefited from its 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, which provided greater revenue stability and supported operating cash flows during the period.

On January 22, 2026, the Company and Jixing entered into amendments to the Gas Handling Agreement and the Voyager Compression Agreement (collectively, the “**Amendments to Jixing GHCA**”). Under the amendment to the Gas Handling Agreement, gas handling charges originally accruing for the years 2026 and 2027 were deferred to 2028 and 2029, respectively. As a result, operating costs were significantly reduced during the quarter, enabling the Company to achieve a positive operating netback for the first time in over two years.

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 March 31,		
	2026	2025	Change
Production			
Natural gas (mcf/d)	8,655	10,231	(15%)
Oil (bbl/d)	32	26	21%
NGLs (bbl/d)	26	30	(14%)
Condensate (bbl/d)	42	46	(9%)
	<hr/>	<hr/>	<hr/>
Total production (boe/d)	1,542	1,807	(15%)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Trading			
Natural gas (mcf/d)	21	80	(74%)
	<hr/>	<hr/>	<hr/>
Total trading (boe/d)	3	13	(74%)
	<hr/>	<hr/>	<hr/>
Total sales volume (boe/d)	1,545	1,820	(15%)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Total sales volume for the three months ended March 31, 2026 was 15% lower than the comparative period in 2025. During the quarter, geopolitical tensions in the Middle East contributed to higher global oil prices, which led to increased crude oil production in North America. This, in turn, resulted in higher associated natural gas supply and contributed to lower natural gas prices. In response to the weaker pricing environment, the Company curtailed production to preserve reserves for future development when market conditions improve.

During the three months ended March 31, 2026, 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, providing greater revenue certainty and supporting cash flow stability. In comparison, the Company did not enter into any forward sales contracts during the three months ended March 31, 2025.

When the Company's natural gas production on a given day is insufficient to meet its nominated sales volume, it purchases natural gas from the market ("**traded gas**") to fulfill its delivery obligations. As nominations are made daily, any shortfall experienced on a given day can be rectified on the following day by adjusting nominations 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 ended March 31, 2026, comprising only 0.2% of the total gas sold during the periods, which represents a decrease from 70% in the corresponding periods ended March 31, 2025.

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 may change over time. During the three months ended March 31, 2026, NGL and condensate production decreased by approximately 14% and 9%, respectively, compared to the corresponding period in 2025, consistent with the decline in natural gas production. On an absolute boe/d basis, NGL and condensate production as a percentage of natural gas boe/d for the three months ended March 31, 2026 was approximately 4.7%, remaining generally consistent with 4.4% for the corresponding period ended March 31, 2025.

Oil production for the three months ended March 31, 2026 was 21% higher than the comparative period in 2025. During the quarter, geopolitical tensions in the Middle East supported higher oil prices in North America. In response to the more favorable pricing environment, the Company increased oil production, which enabled the Company to capture higher realized revenues and contributed to improved profitability.

Revenue

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Production			
Natural gas	2,484	2,073	20%
Crude oil	226	273	(17%)
NGLs	40	96	(59%)
Condensate	295	466	(37%)
Total production revenue	<u>3,045</u>	<u>2,908</u>	<u>5%</u>
Trading			
Natural gas trading revenue	6	16	63%
Natural gas trading cost	(6)	(6)	–
Total trading revenue	<u>–</u>	<u>10</u>	<u>100%</u>
Other income	2	4	(48%)
Total revenue	<u>3,047</u>	<u>2,922</u>	<u>4%</u>

Production revenue for the three months ended March 31, 2026 increased by 20% compared with the corresponding period in 2025. During the quarter, the Company secured higher realized natural gas prices through its hedging arrangements, with contracted prices exceeding the unhedged market prices realized in 2025. This pricing strategy effectively mitigated the impact of weaker market conditions in the first quarter of 2026 and enabled the Company to achieve growth in natural gas revenue, notwithstanding lower market prices and a decline in production volumes compared to the same period in 2025.

Crude oil production revenue for the three months ended March 31, 2026 decreased by 17% compared with the corresponding period in 2025. Overall market prices remained broadly in line with the same period of last year. However, the Company realized lower average sales prices during the quarter. As a result, the increase in production volumes was insufficient to offset the impact of the lower realized prices.

NGLs and condensate revenue for the three months ended March 31, 2026 decreased by 59% and 37%, respectively, compared with the corresponding period in 2025. Even though NGL market prices declined by 23% and condensate market prices remained broadly in line with the prior year, the Company realized significantly lower average sales prices during the quarter, with NGLs and condensate prices decreasing by 52% and 31%, respectively, as compared to the same period of last year. Together with the decline in production volumes as discussed above, total NGLs and condensate revenue decreased by approximately 40% compared with the corresponding period in 2025.

Commodity prices

	Three months ended March 31,		
	2026	2025	Change
Natural gas (C\$/mcf)			
Average market price (AECO)	2.07	2.13	(3%)
Average trading price	2.99	2.19	37%
Average trading cost price	2.98	0.82	261%
Average sales price	3.00	2.23	35%
Crude oil (C\$/bbl)			
Average market price (Edmonton Par)	94.18	95.19	(1%)
Average sales price	78.03	114.56	(32%)
Sales/market differential	(17%)	20%	
NGLs (C\$/bbl)			
Average market price (Propane/Butane)	33.56	43.86	(23%)
Average sales price	17.28	36.02	(52%)
Sales/market differential	(48%)	(18%)	
Condensate (C\$/bbl)			
Average market price (Pentane Plus)	97.66	99.19	(2%)
Average sales price	78.85	113.53	(31%)
Sales/market differential	(19%)	14%	

Realized natural gas sales prices for the three months ended March 31, 2026 increased by approximately 35% compared with the same period in 2025. AECO prices are typically strongest during the winter months (October through March). However, due to the impact of geopolitical tensions in the Middle East as discussed above, natural gas market prices in the first quarter of 2026 did not sustain the favorable levels seen in the fourth quarter of 2025 and also decreased by approximately 3% compared with the same period of last year. The Company had proactively entered into hedging arrangements to lock in gas prices. In addition, during periods of lower spot prices in the quarter, the Company curtailed production and preserved reserves, producing primarily volumes covered under its hedging arrangements. As a result, the Company achieved higher realized sales prices compared with the same period in 2025.

The Company did not utilise hedging or forward contracts in 2025. Accordingly, realized prices primarily reflected prevailing market conditions and daily trading activities, and may not align directly with period-average AECO benchmarks. In addition, the Company engages in gas trading activities to manage shortfalls between production and delivery nominations. As a result, average trading prices and associated costs may 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 ended March 31, 2026, NGL realised prices decreased by approximately 52% compared to 2025, reflecting weaker market pricing for propane and butane as well as changes in product mix.

Condensate prices remained relatively strong, with market prices in the first quarter of 2026 broadly in line with the corresponding period in 2025. Realized prices were below benchmark levels during the first quarter of 2026, as compared to exceeding benchmark levels in the same period of last year, reflecting variations due to product quality and market demand. As a result, condensate realized prices for the three months ended March 31, 2026 decreased by approximately 31% compared with the corresponding period in 2025.

Crude oil realised prices decreased by approximately 32% for the three months ended March 31, 2026 compared to the same periods in 2025, 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. In 2026, the Company entered into hedging arrangements in advance to secure gas prices. During the first quarter of 2026, despite a decline in market prices, these arrangements effectively mitigated price risk, enhanced profitability and contributed to stable and predictable cash inflows.

Royalties

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Natural gas, NGLs and condensate	78	89	(13%)
Crude oil	75	109	(31%)
Total royalty expense	<u>153</u>	<u>198</u>	<u>(23%)</u>
Effective average royalty rate	<u>5%</u>	<u>7%</u>	<u>(26%)</u>

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 ended March 31, 2026 and 2025, the Company's base royalty rate for natural gas ranged from 5% to 19%, the base royalty rate for NGLs (propane and butane) was 30%, the base royalty rate for condensate was 40%, and the base royalty rate for crude oil was 23%. Effective royalty rates can differ from the base rates if the production qualifies for any cost allowances which offset the base amount payable.

Operating Expenses

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Natural gas, NGLs and condensate	1,710	4,112	(58%)
Crude oil	125	87	45%
Total operating expenses	<u>1,835</u>	<u>4,199</u>	<u>(56%)</u>
Unit Cost (C\$/boe)			
Natural gas, NGLs and condensate	12.59	25.66	(51%)
Crude oil	43.15	36.27	19%
Average cost	<u>13.22</u>	<u>25.82</u>	<u>(49%)</u>

The Company signed the Jixing Gas Handling and Jixing Voyager Compression Agreements (collectively, the “**Jixing GHCA**”) with a related party, Jixing Energy (Canada) Ltd. (“**Jixing**”), which comprise the majority of the operating expenses for natural gas, NGLs and condensate. On January 22, 2026, the Company and Jixing entered into an amendment to the Gas Handling Agreement and an amendment to the Voyager Compression Agreement (collectively, the “**Amendments to Jixing GHCA**”). Under the amendment to the Gas Handling Agreement, gas handling charges originally accruing for the years 2026 and 2027 have been deferred to 2028 and 2029, respectively. Under the amendment to the Voyager Compression Agreement, payment of the 2026 gas compression charges has been deferred to 2028. As a result, the Company incurred nil costs related to the Jixing GHCA during the three months ended March 31, 2026.

In comparison, for the three months ended March 31, 2025, Jixing-related operating expenses amounted to C\$2.38 million, representing 57% of total operating expenses. Under the Company’s agreements with Jixing, the majority of such operating expenses are subject to cash deferral arrangements.

As a result of the above, OPEX for natural gas, NGLs and condensate for the three months ended March 31, 2026 excluded Jixing-related operating expenses and was 58% lower than the corresponding period in 2025. On a unit cost basis, OPEX decreased by approximately 51% compared with the same period of last year.

OPEX for crude oil for the three months ended March 31, 2026 was 45% higher than the corresponding period in 2025. On a unit cost basis, OPEX increased by approximately 19% compared with the same period of last year. To support increased oil well production, the Company replaced the pump jack on one producing well during the first quarter of 2026. This resulted in higher well maintenance and contract labour costs, contributing to the increase in crude oil OPEX compared with the corresponding period in 2025.

General and Administrative Expenses

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Staff costs	94	106	(11%)
Directors' fees	30	30	–
Accounting, legal and consulting fees	83	95	(13%)
Office expenses	28	(43)	(165%)
Share-based expenses	–	2	(100%)
Others	5	3	67%
	<hr/>	<hr/>	<hr/>
Total G&A expenses	240	193	24%
	<hr/>	<hr/>	<hr/>
Capitalised staff costs	27	27	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the three months ended March 31, 2026, the decrease in staff costs reflect the changes in the CFO.

For the three months ended March 31, 2026, accounting, legal, and consulting fees decreased compared to the same period in 2025, reflecting improved management efficiency within the Company.

For the three months ended March 31, 2026, 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 ended March 31, 2026 and 2025 other costs include memberships, travel and accommodation, telephone and internet, computer system and software contract fee. For the three months ended March 31, 2026, other costs remained relatively stable compared with the corresponding period in 2025.

Capitalised G&A expenses are comprised of qualifying expenditures in respect of geological and geophysical activities, as well as costs associated with the Company's ongoing natural gas power project and LNG projects. The Company reviews its capitalised G&A expenses policy periodically and will adjust the amount as required.

Finance Expenses

C\$ 000s	Three months ended March 31,		
	2026	2025	Change
Interest expenses and financing costs:			
Term debt	42	68	(38%)
Shareholder loans – Jixing Loan	96	156	(38%)
Interest on lease liabilities	3	13	(77%)
Commitment charges	25	2	1150%
Convertible debentures	41	117	(65%)
Other loans	31	–	–
Other financing costs and bank charges	13	5	160%
Accretion expenses:			
Decommissioning liabilities	43	24	79%
Shareholder loans, except for Jixing Loan	27	60	(55%)
Long-term payable	666	472	41%
Amortisation of deferred financing costs related to term debt	13	13	–
(Gain)/Loss on foreign exchange	190	85	124%
Total finance expenses	1,190	1,015	17%

For the three months ended March 31, 2026, 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 ended March 31, 2026 and 2025, 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 ended March 31, 2026, the loss in foreign exchange is primarily due to the differences in the US\$/C\$ exchange rate on the CIMC Loan, Jixing Loan, other loan and the convertible debentures from the beginning to the end of the periods.

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

<i>C\$000s except per unit costs</i>	Three months ended March 31,		
	2026	2025	Change
Depletion	640	783	(18%)
Depreciation	1	1	64%
Amortisation of right of use assets	16	109	(85%)
Total DD&A	<u>657</u>	<u>893</u>	<u>(26%)</u>
Per boe	<u>4.73</u>	<u>5.49</u>	<u>(14%)</u>

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 decrease in DD&A for the three months ended March 31, 2026 is attributable to lower production volumes compared with the corresponding period in 2025, as well as adjustments to the asset retirement obligation.

Loss and Comprehensive Loss

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Total loss and comprehensive loss	<u>(523)</u>	<u>(3,576)</u>	<u>85%</u>

Loss and comprehensive loss for the three months ended March 31, 2026 decreased by 85% compared with the same period in 2025, primarily due to the significant reduction in OPEX, which resulted in a reduction in net loss for the quarter.

CAPITAL EXPENDITURES

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
PP&E			
Power plant	12	–	100%
Drilling, completion and workovers	–	2	(100%)
G&A costs capitalised	27	26	2%
	<u> </u>	<u> </u>	<u> </u>
Total PP&E	39	28	37%
	<u> </u>	<u> </u>	<u> </u>
Total PP&E and E&E assets	39	28	37%
	<u> </u>	<u> </u>	<u> </u>

In the three months ended March 31, 2026, the Company capitalised a total of C\$0.03 million (2025: C\$0.03 million) of G&A expenses in accordance with its accounting policies (refer to Note 4 in the Financial Statements).

LIQUIDITY AND CAPITAL RESOURCES

Capital management

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

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

Capital structure of the Company

The Company's capital structure is as follows:

<i>C\$ 000s</i>	As at March 31, 2026	As at December 31, 2025
Non-current portion of long-term debt ⁽¹⁾	–	8,931
Non-current portion of long-term payable ⁽⁵⁾	24,851	22,493
Non-current lease liabilities ⁽²⁾	142	11
Net working capital deficit ⁽²⁾	16,895	11,624
	<hr/>	<hr/>
Net debt	41,888	43,059
Shareholders' deficit ⁽³⁾	(27,099)	(24,604)
	<hr/>	<hr/>
Total	14,789	18,455
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio⁽⁴⁾	283%	233%
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- 1 Represents the fair value of the long-term portions of the shareholder loans, CIMC Loan and Jixing Loan.
- 2 Net working capital consists of current assets less current liabilities. The current portions of lease liabilities, CIMC Loan and Jixing Loan term debts, shareholder loans, convertible debentures, other loans and long-term payable are included in net working capital.
- 3 As at March 31, 2026, the Company has 869,292,597 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 Export 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 expired on March 16, 2026. As the facility was not approved for renewal, the PSG coverage terminated upon the expiry of the existing L/C.

During the three months ended March 31, 2026, the holder of the C\$0.65 million letter of credit (“L/C”) called the L/C. The Company settled C\$0.46 million in cash, and the remaining C\$0.19 million was covered under the PSG facility. The Company will repay the amount covered by EDC in equal monthly installments over nine months commencing in April 2026, with the balance to be fully repaid by December 2026.

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.

(a) Shareholder Loan and Jixing GHCA Long-term Payable

During the year ended December 31, 2025, the Company received C\$1.78 million from a shareholder. The shareholder loan is interest-free, unsecured and has no fixed repayment terms.

During the year ended December 31, 2025, the Company incurred C\$2.3 million of costs related to the Jixing GHCA. During the three months ended March 31, 2026, the Company incurred nil costs related to the Jixing GHCA.

On October 31, 2025, the Company, Jixing and Yongtan Liu entered into the loan capitalisation agreement (the “**Loan Capitalisation Agreement**”), pursuant to which the parties 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 completion of the allotment and issuance of common shares on March 2, 2026 pursuant to the Loan Capitalisation Agreement, the 2019 Shareholder Loan, the 2020 Shareholder Loan and partial of the 2025 Shareholder Loan, amounting to C\$3,838,150 in aggregate, were settled in full through the issuance of common shares. In addition, a portion of the Jixing GHCA liability amounting to C\$7,494,290 was settled in full through the issuance of common shares.

(b) CIMC Loan and Jixing Loan

On March 27, 2023, the Company obtained 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**”).

The Jixing Loan has a term of 48 months and bears 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, bears interest of 9.25% per annum and is secured by the fixed assets owned by the Company, excluding its Oil and Gas assets, and a personal guarantee from Mr. Yongtan Liu, the Company’s Chairman. The Company will be required to make monthly interest and principal payments of US\$87,514. The CIMC Loan ranks senior to all other debt and equity payments, including payments under 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. During the three months ended March 31, 2026, the Company made one repayment of principal of C\$41,100.

As at March 31, 2026, there are seventeen months (2025: fourteen months) of interests together with principal payments on Jixing Loan of approximately C\$4.74 million (equivalent to approximately US\$3.40 million) (2025: C\$3.84 million (equivalent to approximately US\$2.80 million)) and on the CIMC Loan of approximately C\$2.07 million (equivalent to approximately US\$1.49 million) (2025: C\$1.68 million (equivalent to approximately US\$1.23 million)), in arrears.

Working capital and going concern basis

As at March 31, 2026 the Company had a working capital deficiency of C\$16.89 million, generated a profit from operations of C\$0.16 million for the three months ended March 31, 2026.

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

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, obtain equity financing, dispose of assets or other arrangements to fund operating and investing activities. There are no assurances that any transactions will be completed on terms acceptable to the Company. If the Company is unable to make its scheduled payments on its CIMC Loan and Jixing Loan, the facilities may become due on demand.

These conditions cause material uncertainty which cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding this, based on the cash flow projection, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Use of proceeds from the October 2025 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2025 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2025 ²	Proceeds unused
General working capital	100%	0.62	0.62	–
Total	100%	0.62	0.62	–

Notes:

(1) Refer to the Company's announcement dated October 13, 2025.

(2) The October 2025 subscription was closed on November 3, 2025.

Use of proceeds from the September 2025 Subscription

C\$000,000

Business objective as stated in the announcement ¹	% of total net proceeds	Planned use of net proceeds from the Closing Date to December 31, 2025 ²	Actual use of net proceeds during the period from the Closing Date to December 31, 2025 ²	Proceeds unused
General working capital	100%	0.75	0.75	–
Total	100%	0.75	0.75	–

Notes:

(1) Refer to the Company's announcement dated September 5, 2025.

(2) The September 2025 subscription was closed on September 19, 2025.

Use of proceeds from the August 2025 Subscription

C\$000,000

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

Notes:

(1) Refer to the Company's announcement dated August 14, 2025.

(2) The August 2025 subscription was closed on September 19, 2025.

CONVERTIBLE DEBENTURE, SHARES AND STOCK OPTIONS OUTSTANDING

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 at 9% per annum payable monthly and maturing on December 10, 2025 (the “**December Debenture**”). The Company may, with the mutual agreement of the lender, repay the December Debenture in full or in part upon maturity, including accrued and unpaid interest, in cash or by issuing common shares at a deemed price of HK\$0.20 per common share, or one common share for each US\$0.02571 of the outstanding December Debenture, 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), together with accrued and unpaid interest of approximately US\$0.10 million (equivalent to approximately C\$0.14 million), was 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.

Common Shares

According to the terms of the Loan Capitalisation Agreement described above, on March 2, 2026, the Company issued 210,000,000 common shares at a price of HK\$0.30 per share to settle (i) a shareholder’s loan of C\$3,838,150 and (ii) a Jixing OPEX long-term payable of C\$7,494,290.

Pursuant to the conversion arrangements of the December Debenture described above, on March 2, 2026, the Company issued 42,028,438 common shares at a conversion price of HK\$0.20 per share to convert part of the principal amount of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million).

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 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 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.

As at March 31, 2026 and as at the date of this MD&A, the Company had 869,292,597 common shares outstanding.

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 March 31, 2026 and as at the date of this MD&A, the Company has no options outstanding (2025: 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 ended March 31, 2026 and 2025.

RELATED PARTY TRANSACTIONS

Refer to Notes 10, 19 and 21 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 ended March 31, 2026 and 2025.

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 March 31, 2026 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 ended March 31, 2026 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

There are no major subsequent events occurring after the reporting period.

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.

During the three months ended March 31, 2026, 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. The Company did not enter into any financial derivatives contracts for the three months ended March 31, 2025. For the three months ended March 31, 2026, the Company experienced an unrealised foreign exchange loss of C\$0.2 million and C\$0.2 million (2025: loss of C\$0.9 million). 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 3 employees as at March 31, 2026 (2025: 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 ended March 31, 2026 totaled C\$0.12 million (2025: C\$0.14 million). 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 period ended March 31, 2026 and year ended December 31, 2025.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2026 and ending March 31, 2026, 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, 2026 and ending March 31, 2026, 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, 2026 and ending March 31, 2026 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 March 31, 2026. 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 period ended March 31, 2026. The AIF is available at the Company's website at www.jxenergy.ca and also www.sedarplus.ca.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

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

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

NON-IFRS FINANCIAL MEASURES

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

Operating netback

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
Commodity sales from production	3,045	2,908	5%
Net trading revenue	–	10	(100%)
Royalties	(153)	(198)	(23%)
Operating costs	(1,835)	(4,199)	(56%)
Operating netback	(1,057)	(1,479)	(171%)

Adjusted EBITDA

<i>C\$ 000s</i>	Three months ended March 31,		
	2026	2025	Change
(Loss) and comprehensive (loss)	(523)	(3,576)	(85%)
Finance expenses	1,190	1,015	17%
DD&A	657	893	(26%)
Cash deferred operating expenses ¹	–	2,382	–
Non-cash share-based expenses	–	2	(100%)
Adjusted EBITDA	1,324	716	85%

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”) to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the relevant code provisions contained in the CG Code during the three months ended March 31, 2026 (the “**Reporting Period**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

According to the terms of the Loan Capitalisation Agreement described above, on March 2, 2026, the Company issued 210,000,000 common shares at a price of HK\$0.30 per share to settle (i) a shareholder’s loan of C\$3,838,150 and (ii) a Jixing OPEX long-term payable of C\$7,494,290.

Pursuant to the conversion arrangements of the December Debenture described above, on March 2, 2026, the Company issued 42,028,438 common shares at a conversion price of HK\$0.20 per share to convert part of the principal amount of the December Debenture of approximately US\$1.08 million (equivalent to approximately C\$1.48 million).

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

REVIEW OF THE INTERIM RESULTS

The Company established an audit and risk committee of the Company (the “**Audit and Risk Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit and Risk Committee comprises three independent non-executive Directors, namely Ms. Kit Man To (Chairman), Mr. Zhanpeng Kong and Ms. Jia Wei. The Audit and Risk Committee has reviewed the Company’s interim results for the three months ended March 31, 2026 and has also discussed with management the internal control, the accounting principles and practices adopted by the Company. The Audit and Risk Committee is of the opinion that the interim results have been prepared in accordance with the applicable accounting standards, laws and regulations and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INFORMATION

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

SELECTED ABBREVIATIONS

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

Crude oil and natural gas liquids

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

Natural gas

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

Other

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

CONVERSION FACTORS – IMPERIAL TO METRIC

Bbl = 0.1590 cubic metres (m³)

Mcf = 0.0283 cubic metres (10³m³)

acres = 0.4047 hectares (ha)

Btu = 1054.615 joules (J)

feet (ft) = 0.3048 metres (m)

miles (mi) = 1.6093 kilometres (km)

pounds (Lb) = 0.4536 kilograms (kg)