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, 2023

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, 2023.

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, 2023 (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 12, 2023
Hong Kong, May 12, 2023

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Yongtan Liu and Mr. Pingzai Wang; and three independent non-executive Directors, namely Mr. Richard Dale Orman, Mr. Peter David Robertson and Mr. Larry Grant Smith.

* *For identification purpose only*

JX Energy Ltd.
（吉星新能源有限責任公司）*

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months ended March 31, 2023 and 2022

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.

STATEMENT OF FINANCIAL POSITION

As at March 31, 2023
(Expressed in Canadian dollars)
Unaudited

	Note	**As at March 31, 2023**	As at December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	*4*	**259,640**	333,227
Accounts receivable	*5*	**1,412,066**	2,629,405
Prepaid expenses and deposits		**671,512**	664,525
Total current assets		**2,343,218**	3,627,157
Exploration and evaluation assets	*6*	**10,287,827**	10,257,507
Property, plant and equipment	*7*	**35,949,654**	37,086,262
Right of use assets	*8*	**1,333,109**	1,427,937
Total Assets		**49,913,808**	52,398,863
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	*9*	**8,067,966**	20,882,800
Current portion of long term debt	*10*	**3,370,565**	15,513,731
Current portion of lease liabilities	*8*	**878,035**	868,595
Decommissioning liabilities	*11*	**706,300**	706,300
Total current liabilities		**13,022,866**	37,971,426
Long-term accounts payable	*9*	**12,697,872**	—
Other liabilities	*12*	**550,388**	655,764
Lease liabilities	*8*	**691,119**	861,879
Long term debt	*10*	**14,708,815**	2,623,699
Decommissioning liabilities	*11*	**1,626,542**	1,608,545
Total liabilities		**43,297,602**	43,721,313
Shareholders' equity:			
Share capital	*13*	**219,802,889**	219,802,889
Warrants	*13*	**—**	647,034
Contributed surplus	*13*	**6,568,253**	5,886,146
Accumulated deficit		**(219,754,936)**	(217,658,519)
Total shareholders' equity		**6,616,206**	8,677,550
Total Liabilities and Shareholders' Equity		**49,913,808**	52,398,863
Going concern	*3*		

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS

For the three months ended March 31, 2023
(Expressed in Canadian dollars)
Unaudited

		Three months ended March 31,	
	Note	**2023**	2022
Revenue			
Commodity sales from production	*14*	**4,041,170**	6,363,985
Trading revenue (loss)	*14*	**(201)**	(12,162)
Other income	*14*	**7,462**	23,486
Royalty expense		**(612,093)**	(1,126,534)
Total net revenue		**3,436,338**	5,248,775
Expenses			
Operating costs		**(3,157,115)**	(3,279,273)
General and administrative costs	*13*	**(585,048)**	(624,063)
Depletion, depreciation and amortization	*7*	**(1,397,438)**	(1,475,086)
Impairment recovery and write-offs	*7*	**—**	4,028,278
Total expenses		**(5,139,601)**	(1,350,144)
Income (loss) from operations		**(1,703,263)**	3,898,631
Finance expenses	*15*	**(393,154)**	(899,431)
Income (loss) before taxes		**(2,096,417)**	2,999,200
Income taxes	*16*	**—**	—
Income (loss) and comprehensive income (loss)		**(2,096,417)**	2,999,200
Income (loss) per share			
Basic and diluted	*17*	**(0.00)**	0.01

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2023
(Expressed in Canadian dollars)
Unaudited

	Note	**Share Capital**	**Warrants**	**Contributed Surplus**	**Accumulated Deficit**	**Total Equity**
At January 1, 2023	*13*	219,802,889	647,034	5,886,146	(217,658,519)	8,677,550
Share-based expenses		—	—	35,073	—	35,073
Warrant forfeit		—	(647,034)	647,034	—	—
Income for the period		—	—	—	(2,096,417)	(2,096,417)
At March 31, 2023		**219,802,889**	**—**	**6,568,253**	**(219,754,936)**	**6,616,206**
At January 1, 2022	*13*	215,922,331	647,034	2,523,642	(214,079,198)	5,013,809
Share-based expenses		—	—	12,600	—	12,600
Income for the period		—	—	—	2,999,200	2,999,200
At March 31, 2022		215,922,331	647,034	2,536,242	(211,079,998)	8,025,609

The accompanying notes form part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

Unaudited

	Note	**Three months ended March 31, 2023**	2022
Cash provided by (used in):			
Operations			
Net income (loss)		**(2,096,417)**	2,999,200
Items not involving cash:			
Depletion, depreciation and amortization		**1,397,438**	1,475,086
Share-based expenses		**(70,306)**	12,600
Non-cash finance expenses		**243,588**	287,129
Unrealized foreign exchange (gain) loss		**(216,096)**	60
Impairment (recovery) and write-offs		**—**	(4,028,278)
Funds from operations		**(741,793)**	745,797
Changes in non-cash working capital	*4*	**2,378,081**	1,054,166
Total cash from operations		**1,636,288**	1,799,963
Investing			
Expenditures on property, plant and equipment		**(54,622)**	(1,811,230)
Expenditures on exploration and evaluation assets		**(1,352,516)**	—
Net cash (used in) investing		**(1,407,138)**	(1,811,230)
Financing			
Changes in subscriptions payable		**—**	2,480,000
Proceeds from CIMC loan		**4,802,315**	—
Proceeds from Jixing Energy		**10,976,720**	—
Repayment of shareholders' loans		**(17,687)**	—
Principal portion of lease payments		**(265,937)**	(203,407)
Interest portion of lease payments		**(48,159)**	(56,697)
Repayment of debt		**(15,750,000)**	(2,300,000)
Proceeds from debt		**—**	—
Net cash (used in) financing		**(302,749)**	(80,104)
Increase (decrease) in cash and cash equivalents		**(73,599)**	(91,371)
Effect of exchange rate changes on cash and cash equivalents		**11**	(60)
Cash and cash equivalents, beginning of period		**333,227**	587,933
Cash and cash equivalents, end of period		**259,640**	496,502
Supplementary information:			
Interest paid		**358,425**	591,781

The accompanying notes form part of these condensed interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2023
(Expressed in Canadian dollars unless otherwise indicated)
Unaudited

1 CORPORATE INFORMATION

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

Pursuant to an initial public offering on March 10, 2017, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and traded under the stock code of "3395". The Company has been a reporting issuer under the Securities Act (Alberta) since October 2, 2018. On June 22, 2022, shareholders of the Company ("**Shareholders**") approved the change of the Company's name from Persta Resources Inc. to JX Energy Ltd.

2 BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared by management in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting". The unaudited condensed interim 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, 2022. These unaudited condensed interim financial statements have been prepared following the same accounting policies as the annual audited financial statements for the year ended December 31, 2022 and should be read in conjunction with the annual audited financial statements and the notes thereto. The disclosures provided below are incremental to those included in the 2022 annual audited financial statements. These unaudited condensed interim financial statements were approved by the board (the "**Board**") of directors (the "**Directors**") on May 12, 2023.

The financial statements are presented in Canadian dollars ("**C$**"), which is the Company's functional currency.

3 GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2023 the Company had a working capital deficiency of C$11 million, generated a loss from operations of C$2.1 million for the three months ended March 31, 2023, and has fully drawn on its C$4.8 million debt facility which matures on March 27, 2027.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has created a great deal of uncertainty in the global economy. These factors may have a negative 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 subordinated debt.

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

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. If the Company is unable to continue as a going concern, it may be forced to seek relief under applicable bankruptcy and insolvency legislation.

4 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

C$	**As at March 31, 2023**	As at December 31, 2022
Deposits with banks and other financial institutions	**67,251**	3,181
Cash on hand	**192,389**	330,046
Cash and cash equivalents in the statement of financial position and statement of cash flows	**259,640**	333,227

(b) Supplementary cash flows information

C$	Three months ended March 31, **2023**	2022
Change in non-cash working capital:		
Accounts receivable	**(1,217,339)**	2,261,271
Prepaid expenses and deposits	**6,987**	157,415
Accounts payable and accrued liabilities	**222,338**	(4,334,196)
	(988,014)	(1,915,510)
Change in non-cash working capital included in investing and financing activities	**(3,366,095)**	2,969,676
Change in non-cash working capital included in operating activities	**2,378,081**	1,054,166

5 ACCOUNTS RECEIVABLE

C$	**As at March 31, 2023**	As at December 31, 2022
Trade receivables	**1,372,944**	2,627,332
Other receivables	**39,122**	2,073
Total	**1,412,066**	2,629,405

(a) Aging analysis of trade receivables

As at March 31, 2023 and December 31, 2022, 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 allowance for doubtful debts, is as follows:

C$	**As at March 31, 2023**	As at December 31, 2022
Within 1 month	**1,372,944**	2,627,332
Total	**1,372,944**	2,627,332

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

(b) Impairment of accounts receivable

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Company determines that recovery of the amount is remote, in which case the impairment loss is written off against account receivables directly. No accounts receivable are considered individually nor collectively to be impaired. No material balances of trade or other receivables are past due, and no impairment loss has been recognized for the three month period ended March 31, 2023 and year ended December 31, 2022.

6 EXPLORATION AND EVALUATION ASSETS

C$	**As at March 31, 2023**	As at December 31, 2022
Balance, beginning of period	**10,257,507**	6,696,957
Additions	**30,320**	4,903,163
Transfer to PP&E *(Note 7)*	**—**	(561,874)
Write-offs	**—**	(780,739)
Balance, end of period	**10,287,827**	10,257,507

Exploration and evaluation ("**E&E**") assets consist of undeveloped lands, unevaluated seismic data and unevaluated drilling and completion costs on the Company's exploration projects which are pending the determination of proven or probable reserves in sufficient quantity to warrant commercial development. Transfers are made to property, plant and equipment ("**PP&E**") as proven or probable reserves are determined. E&E assets are expensed due to uneconomic drilling and completion activities and write-offs of lease expiries. Impairment is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment.

For the year ended December 31, 2022, the Company wrote-off C$0.8 million of E&E assets attributable to land lease expiries, and transferred C$0.6 million to PP&E. For the three months ended March 31, 2023, there were no capitalized G&A costs, transfers to PP&E or write-offs.

As at December 31, 2022 and March 31, 2023, 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 natural gas.

7 PROPERTY, PLANT AND EQUIPMENT

C$	**Cost**	**Accumulated Depletion, Depreciation, Impairment and Impairment Recovery**	**Net Book Value**
At January 1, 2022	168,388,793	(127,644,241)	40,744,552
Additions	1,272,508	—	1,272,508
Transfer from E&E (Note 6)	561,874	—	561,874
Change in decommissioning obligations	(181,019)	—	(181,019)
Depletion and depreciation	—	(5,329,111)	(5,329,111)
Impairment recovery	—	17,459	17,459
At December 31, 2022	170,042,156	(132,955,893)	37,086,263
At January 1, 2023	**170,042,156**	**(132,955,893)**	**37,086,263**
Additions	**92,125**	**—**	**92,125**
Change in decommissioning obligations	**(30,743)**	**—**	**(30,743)**
Depletion and depreciation	**—**	**(1,197,991)**	**(1,197,991)**
Impairment recovery	**—**	**—**	**—**
At March 31, 2023	**170,103,538**	**(134,153,884)**	**35,949,654**

Substantially all of PP&E consists of development and production assets. For the three months ended March 31, 2023, PP&E additions are primarily comprised of general and administrative costs capitalized in accordance with the Company's accounting policies (2022: C$0.4 million).

For the year ended December 31, 2022, the Company transferred C$0.6 million of E&E assets to PP&E.

Depletion, depreciation, impairment, and impairment recovery

Depletion and depreciation, impairment of PP&E, and any reversal thereof, are recognized as separate line items in the statement of loss and other comprehensive loss. The depletion calculation for the three month period ended March 31, 2023 includes estimated future development costs of C$11.7 million (2022: C$11.7 million) associated with the development of the Company's proved plus probable reserves. Impairment and impairment recovery is assessed based on the recoverable amount compared with the asset's carrying amount to measure the amount of the impairment and/or impairment recovery. Refer to Note 4 in the audited financial statements for the year ended December 31, 2022 for additional information on the Company's accounting policies.

Q1 2022 PP&E impairment recovery

As at March 31, 2022, the Company identified indicators of impairment recovery of its PP&E assets in the Basing CGU, attributable to changes in commodity prices. The recoverable amount of the Basing CGU was estimated based upon the higher of value in use or fair value less costs of disposal. Fair value less costs of disposal was used, and the recoverable amount is within the Level 3 hierarchy of International Financial Reporting Standard 13. The Company calculated the recoverable amount of the Basing CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate, with escalated prices and future development costs as obtained from the independent reserve report. Based on the assessment, the carrying amount of the Company's Basing CGU was lower than its recoverable amount, and the Company recognized an impairment recovery of C$4 million as at March 31, 2022.

The Company utilized the following benchmark prices to determine the forecast prices in the fair value less costs of disposal calculations:

	As at March 31, 2022	
	Edmonton Oil *(C$/Bbl)*	**AECO Gas** *(C$/mmbtu)*
Remainder 2022	131.21	5.81
2023	110.13	4.45
2024	95.00	4.06
2025	91.34	3.73
2026	93.17	3.81
2027	95.03	3.89
2028	96.94	3.98
2029	98.88	4.06
2030	100.86	4.15
2031	102.87	4.24
2032[1]	+2.0%/yr	+2.0%/yr

The following table summarizes the recoverable amount and impairment reversal of the Basing CGU at March 31, 2022 and demonstrates the sensitivity of the estimated recoverable amount with respect to reasonably possible changes in key assumptions inherent in the estimate:

C$	**Recoverable Amount**	**Impairment (Recovery)**	**1% Change in Discount Rate**	**C$2.50/bbl Change in Oil and NGL Price**	**C$0.25/mcf Change in Gas Price**
Basing CGU	**36,563,095**	**(3,729,918)**	**2,000,000**	**200,000**	**4,300,000**

As at March 31, 2023, 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 LEASES

(a) Right of use assets

C$	**Oil and Gas Production**	**Office Space**	**Vehicles**	**Total**
At January 1, 2022	753,380	1,394,418	4,967	2,152,765
Additions	—	—	35,498	35,498
Amortization	(311,934)	(440,343)	(8,049)	(760,326)
At December 31, 2022	441,446	954,076	32,415	1,427,937
At January 1, 2023	**441,446**	**954,076**	**32,415**	**1,427,937**
Additions	**—**	**104,618**	**—**	**104,618**
Amortization	**(77,984)**	**(118,455)**	**(3,008)**	**(199,447)**
At March 31, 2023	**363,462**	**940,239**	**29,407**	**1,333,109**

(b) Lease liabilities

C$	**Oil and Gas Production**	**Office Space**	**Vehicles**	**Total**
At January 1, 2022	780,185	1,661,714	6,374	2,448,273
Additions	—	—	35,462	35,462
Lease payment	(262,384)	(482,603)	(8,273)	(753,261)
At December 31, 2022	517,801	1,179,110	33,562	1,730,474
At January 1, 2023	**517,801**	**1,179,110**	**33,562**	**1,730,474**
Additions	**—**	**104,618**	**—**	**104,618**
Lease payment	**(88,194)**	**(173,737)**	**(4,007)**	**(265,938)**
At March 31, 2023	**429,607**	**1,109,991**	**29,555**	**1,569,154**

Future lease payments are due as follows:

C$	**Future lease payments**	**Interest**	**Present value**
At March 31, 2023			
Within 1 year	982,714	149,114	833,600
1 to 2 years	753,782	72,188	681,594
2–5 years	60,167	6,207	53,960
Over 5 years	—	—	—
Total	**1,796,663**	**227,509**	**1,569,154**

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

C$	**As at March 31, 2023**	As at December 31, 2022
Trade payables	**1,935,659**	628,339
Accrued liabilities	**940,016**	2,435,828
Total trade payables and accrued liabilities	**2,875,675**	3,064,168
Due to related party	**—**	10,945,782
Capital payables	**4,929,522**	6,366,066
Other payables	**262,769**	506,785
Long-term related party payables	**12,697,872**	—
Total	**20,765,838**	20,882,801

All trade payables, accrued liabilities, capital payables and other payables are expected to be settled within one year or are payable on demand, except for the long-term related party payable. The long-term related party payable consists of C$12.7 million owed to Jixing Energy (Canada) Inc. ("**Jixing**") which are unsecured, interest free pursuant to the Jixing Gas Handling and Voyager Compression Agreements (as defined in Note 26 of the Company's audited financial statements for the year ended December 31, 2022), included in accrued payables is C$0.6 million owed pursuant to the Company's Phantom Unit Plan (as defined in Note 12 of the Company's audited financial statements for the year ended December 31, 2022). As at March 31, 2023 and December 31, 2022, capital payables are primarily comprised of costs incurred for the drilling of a new well at Basing and costs incurred pursuant to the Contract (as defined in Note 12 of the Company's audited financial statements for the year ended December 31, 2022). As at March 31, 2023 and December 31, 2022, other payables are primarily comprised of office renovation and rent inducement expenditures.

Aging analysis of trade payables and accrued liabilities

As at March 31, 2023 and December 31, 2022, the aging analysis of trade payables and accrued liabilities based on dates of invoices at the end of the reporting period is as follows:

C$	**As at March 31, 2023**	As at December 31, 2022
Within 1 month	**1,444,450**	1,913,725
1 to 3 months	**1,136,257**	554,264
Over 3 months but within 6 months	**294,968**	596,178
Total	**2,875,675**	3,064,167

10 LONG TERM DEBT

C$	**As at March 31, 2023**	As at December 31, 2022
Shareholder loans (net)	**13,342,830**	2,623,698
Term debt/Subordinated debt	**4,736,550**	15,000,000
Accrued and unpaid interest and charges on subordinated debt	**—**	700,000
Less: deferred financing costs	**—**	(186,268)
Total	**18,079,380**	18,137,429
Current	**3,370,565**	15,513,731
Long term	**14,708,815**	2,623,698

(a) Subordinated debt

On March 27, 2023, Company repaid the outstanding subordinated debt balance of C$15 million plus accrued and unpaid interest of C$865,958.91.

(b) Term debt

On March 27, 2023, the Company obtained new long-term debt of USD$3.5 million (C$4.7 million) from CIMC Leasing USA, Inc. (the "**CIMC Loan**"). The CIMC Loan has a term of 48 months, bares 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 ("**Mr. Liu**"), an executive Director and the Company's Chairman. The Company will be required to make monthly interest and principal payments of USD$87,513.72 beginning on April 27, 2023.

The CIMC Loan will be senior to all other debt and equity payments, including the Jixing Gas Handling and Jixing Voyager Compression Agreements (as defined in Note 26 of the Company's audited financial statements for the year ended December 31, 2022), with exceptions for regular operating payments to Jixing Energy (Canada) Ltd. ("**Jixing**"), which have been approved by CIMC Leasing USA, Inc. as part of the CIMC Loan agreement.

Mr. Liu and/or interests under his control, have loans with CIMC Capital (China), the parent company of CIMC Leasing USA, Inc.. In the event there is a default with the existing loans of Mr. Liu and/or interests under his control, it will trigger a default of the CIMC Loan and shareholder loan from Jixing, and the outstanding balances will immediately become due.

(c) Shareholder loans

On March 27, 2023 the Company received a loan from Jixing (the "**Jixing Loan**") for USD$8.0 million (C$10.8 million). The Jixing Loan has a term of 48 months, bares interest of 9.25% per annum and is not secured by the fixed assets owned by the Company. The Company will be required to make monthly interest and principal payments of USD$200,031.36 beginning on April 27, 2023.

On March 11, 2023, the Company and Jixing agreed to extend the term of the 2019 Shareholder Loan (as defined in Note 13 of the Company's audited financial statements for the year ended December 31, 2022) to December 23, 2024 and the entire balance has been classified as long-term.

On March 11, 2023, the Company and the Directors agreed to extend the term of the 2020 Shareholder Loan (as defined in Note 13 of the Company's audited financial statements for the year ended December 31, 2022) to June 2, 2024 and the entire balance has been classified as long-term.

On January 31, 2023, the Company paid the remaining balance of the 2021 Shareholder Loan (as defined in Note 13 of the Company's audited financial statements for the year ended December 31, 2022) of C$18,000.

11 DECOMMISSIONING LIABILITIES

C$	**As at March 31, 2023**	As at December 31, 2022
Balance, beginning of period	**2,314,846**	2,421,363
Liabilities settled	**—**	—
Liabilities incurred	**—**	—
Change in estimate	**(30,743)**	(181,021)
Accretion expense *(Note 15)*	**48,739**	74,503
Balance, end of period	**2,332,842**	2,314,846
Current	**706,300**	706,300
Long term	**1,626,542**	1,608,545

The total future decommissioning obligations were estimated based on the Company's net ownership interest in petroleum and natural gas assets including well sites, gathering systems and facilities, the estimated costs to abandon and reclaim the petroleum and natural gas assets and the estimated timing of the costs to be incurred in future periods. As at March 31, 2023, the Company estimated the total undiscounted amount of cash flows required to settle its decommissioning obligations to be approximately C$2.6 million (2022: C$2.6 million) which will be incurred between 2022 and 2067. The majority of these costs will be incurred by 2040. As at March 31, 2023, an average risk free rate of 3.03% (2022: 3.3%) and an inflation rate of 3.03% (2022: 3.3%) were used to calculate the decommissioning obligations.

12 OTHER LIABILITIES

C$	**As at March 31, 2023**	As at December 31, 2022
Accrued compensation per Phantom Unit Plan[1]	**529,559**	634,935
Other payables	**20,829**	20,829
Total	**550,388**	655,764

(1) As defined in Note 20 of the Company's audited financial statements for the year ended December 31, 2022.

As at March 31, 2023 and December 31, 2022, other payables are primarily comprised of office renovation and rent inducement expenditures.

13 SHARE CAPITAL

(a) Authorized:

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

(b) Issued:

	Common Shares	**Amount** *C$*
At January 1, 2022	397,886,520	215,922,331
Shares issued for cash	52,000,000	7,233,985
Share issuance costs	—	(47,843)
Allocation to contributed surplus for shares issued above market value	—	(3,305,584)
At December 31, 2022 and March 31, 2023	**449,886,520**	**219,802,889**

(c) Warrants:

On August 13, 2018, the Company issued 8 million warrants to the lender of the subordinated debt facility for total consideration of C$0.75 million. The warrants had an exercise price of HK$3.16 per warrant and a term of 5 years. Pursuant to the 2020 Restructuring (see Note 13 of the audited financial statements for the year ended December 31, 2022), the Company agreed to re-price the 8 million warrants previously issued to the lender. This re-pricing was subject to the Stock Exchange's and the Shareholders' approval, and the Shareholders' approval was obtained on August 15, 2022. The new exercise price of HK$0.58 was calculated based on the average price of the Common Shares on the Stock Exchange for the five trading days immediately preceding August 15, 2022.

As part of the repayment of the subordinated debt (note 10), the warrants were forfeited unexercised and the value has been recorded as contributed surplus.

(d) Stock options and share-based expenses:

The Company has a stock option plan which was approved and adopted by the Shareholders by ordinary resolution passed on June 8, 2018 (the "**Option Plan**"). The Option Plan is a rolling plan and provides that the number of common shares issuable under the Option Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding common shares, on a non-diluted basis, as of the date on which the Option Plan is approved by the Shareholders. The exercise price of each option equals the volume-weighted average market price for the five days preceding the issue date of the Company's stock on the date of grant and the option's maximum term is ten years. Options granted vest 1/3 on each of the first, second and third anniversaries from the date of grant.

HK$ except number of options amounts	**Number of Options**	**Exercise Price**
At January 1, 2022	3,780,000	$0.52
Granted	800,200	$0.48
At December 31, 2022 and March 31, 2023	4,580,200	$0.51

The average trading price of the Company's common shares was HK$0.334 per share for the three months ended March 31, 2023. The following table summarizes stock options outstanding and exercisable at March 31, 2023:

Exercise Price *(HK$)*	**Amount Outstanding at Period End**	**Remaining Contractual Life**	**Weighted Average Exercise Price** *(HK$)*	**Amount Exercisable at Period End**	**Weighted Average Exercise Price** *(HK$)*
$0.48	800,200	4.66 years	$0.48	—	$0.48
$0.52	3,780,000	2.12 years	$0.52	2,494,800	$0.52

(e) Contributed surplus:

As at March 31, 2023 and December 31, 2022, contributed surplus is comprised of the difference between the deemed fair value and gross value of the Shareholder Loans (refer to Note 10) at the date of initial recognition, share-based expenses incurred during the period, value of forfeited and unexercised warrants, and the allocation of shares issued during the year in excess of market value.

14 REVENUE

C$	Three months ended March 31, **2023**	2022
Commodity sales from production		
Natural gas, natural gas liquids and condensate	**3,503,494**	5,810,291
Crude oil	**537,676**	553,694
Total commodity sales from production	**4,041,170**	6,363,985
Trading revenue (loss)		
Natural gas trading revenue	**11,655**	81,696
Natural gas trading cost	**(11,856)**	(93,858)
Total trading revenue (loss)	**(201)**	(12,162)
Other income		
Total other income	**7,462**	23,486

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 or daily basis. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

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

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

Information about major customers

During the three months ended March 31, 2023 and 2022, the Company had five and four active customers respectively, of which two customers exceeded 10% of the Company's revenues. During the three months ended March 31, 2023, the Company' largest customer accounted for 75% of revenues (2022: 82%), the second largest customer accounted for 13% of revenues (2022: 9%)

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, 2023 and 2022, all of the Company's revenues and commodity sales from production is recognized at a point in time.

15 FINANCE EXPENSES

	Three months ended March 31,	
C$	**2023**	2022
Interest expense and financing costs:		
Subordinated debt *(Note 10)*	**408,425**	629,281
Right of use assets and leases *(Note 8)*	**48,159**	56,697
Commitment charges	**(11,680)**	16,326
Capital payables *(Note 9)*	**25,871**	—
Other financing costs and bank charges	**(6,954)**	4,135
Accretion expenses:		
Decommissioning liabilities *(Note 11)*	**48,739**	54,245
Shareholder loans *(Note 10)*	**(89,581)**	9,742
Amortization of debt issuance costs	**186,271**	128,944
(Gain) loss on foreign exchange	**(216,096)**	60
Total finance expenses	**393,154**	899,431

16 INCOME TAXES

The blended statutory tax rate was 23% for the three month period ended March 31, 2023 (2022: 23%). As at March 31, 2023, the Company has approximately C$130 million of deductible temporary differences in PP&E and E&E assets, decommissioning liabilities, share issue costs, non-capital losses and others. As at March 31, 2023, the Company has approximately C$127 million of tax deductions, which includes loss carry forwards of approximately C$38 million which begin to expire in 2037.

17 INCOME (LOSS) PER SHARE

C$ except share amounts	Three months ended March 31, **2023**	2022
Income (loss) and comprehensive income (loss)	**(2,096,417)**	2,999,200
Weighted average number of common shares	**432,886,520**	397,886,520
Income (loss) per share — basic and diluted	**(0.00)**	0.01

There were 4.58 million options excluded from the weighted-average share calculations for the three months ended March 31, 2023 because they were anti-dilutive. There were 3.78 million options and 8.0 million warrants excluded from the weighted-average share calculations for the three months ended March 31, 2022 because they were anti-dilutive.

18 DIVIDEND

The Board did not recommend the payment of a dividend for the three months ended March 31, 2023 and 2022.

19 RELATED PARTY TRANSACTIONS, PERSONNEL COSTS AND REMUNERATION POLICY

(a) Remuneration policy

The Company's remuneration and bonus policies are determined by the performance of individual employees. The emolument of the executives are recommended by the remuneration committee of the Company, having regard to the Company's operating results, the executives' duties and responsibilities within the Company and comparable market statistics.

(b) Transactions with key management personnel

Key management compensation for the three month period ended March 31, 2023 totaled C$0.2 million (2022: C$0.3 million).

(c) Transactions with directors

Directors' Fees and Phantom Unit Plan

Director compensation for the three month period ended March 31, 2023 totaled C$(0.08) million (2022: C$0.05 million), comprised of C$0.03 million of cash paid during the period and C$(0.1) million accrued pursuant to the Phantom Unit Plan (as defined in Note 19 of the Company's audited financial statements for the year ended December 31, 2022). As at March 31, 2023 the total accrued compensation under the Phantom Unit Plan was C$0.5 million (2022: C$0.6 million).

Repayment of Shareholder Loans

On March 31, 2023 the Company repaid C$18,000 of the 2021 Shareholder Loan (as defined in Note 13 of the Company's audited financial statements for the year ended December 31, 2022).

Save as disclosed above, all other transactions with Directors are unchanged from those disclosed in Note 26 of the audited financial statements for the year ended December 31, 2022.

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

The Company has exposure to credit risk, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of the risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

The Company's credit risk on cash arises from possible default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

Credit risk on trade and other receivables is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from purchasers of the Company's crude oil and natural gas and joint venture partners. The Company seeks to manage its credit risk on trade and other receivables by trading with third party customers it considers to be creditworthy. As at March 31, 2023, the Company's accounts receivables consisted of C$1.4 million (2022: C$2.4 million) due from purchasers of the Company's crude oil and natural gas production.

Receivables from purchasers of the Company's crude oil and natural gas when outstanding are normally collected on the 25th day of the month following production. The carrying amount of accounts receivable and cash balances represents the maximum credit exposure. In determining whether amounts past due are collectible, the Company will assess the nature of the past due amounts as well as the credit worthiness and past payment history of the counterparty. The Company has determined that no allowance for impairment was necessary as at March 31, 2023 and December 31, 2022. The Company has also not written off any receivables during the period ended March 31, 2023 and year ended December 31, 2022 as accounts receivables were collected in full. There are no material financial assets that the Company considers past due and at risk of collection. As at March 31, 2023 and December 31, 2022, all of the trade receivables were less than 90 days old.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Company will attempt to match its payment cycle with collection of crude oil and natural gas revenues on the 25th of each month. The Company prepares annual budgets and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due (see Note 3).

The current challenging economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future. The contractual maturities of financial liabilities as at March 31, 2023 are as follows:

C$	**Carrying amount**	**Total**	**1 year or less**	**1-2 years**	**3–5 years**	**5+ years**
Accounts payable and accounts liabilities	20,765,838	20,765,838	8,067,966	—	12,697,872	—
Other liabilities	550,388	550,388	—	550,388	—	—
Lease liabilities	1,569,155	1,759,299	1,027,150	671,982	60,167	—
Shareholder loans[1]	13,342,830	13,501,400	2,344,741	8,065,300	2,932,789	—
Term debt[2]	4,736,550	4,736,550	1,025,824	2,358,256	1,352,470	—
Total	**40,964,761**	**41,313,475**	**12,465,681**	**11,645,926**	**17,043,298**	**—**

(1) Gross value of shareholder loan as per Note 10

(2) Term debt as 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 profit and cash flow from operations. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand. The Company may utilize commodity contracts as a risk management technique to mitigate exposure to commodity price volatility. The Company did not enter into any financial derivatives during the three months ended March 31, 2023 and 2022.

Interest rate risk

As at March 31, 2023 and 2022, the Company's debts are comprised of shareholder's loans, term debt and amounts owing under the Contract (refer to Note 12 in the audited financial statements for the year ended December 31, 2022), which all carry a fixed interest rate. As at March 31, 2023 and 2022, the Company has no variable rate borrowings. As such, a one percent change in prevailing interest rates would not change the Company's net loss for the three months ended March 31, 2023 and 2022.

Foreign currency risk

The term debt and a significant portion of the shareholder debt is denominated in United States Dollars ("**USD**"), and the Company has vendors in Hong Kong. The Company manages foreign exchange risk by monitoring foreign exchange rates and evaluating their effects on using Canadian or Hong Kong vendors as well as timing of transactions. JX recognizes a foreign exchange gain/loss based on the revaluation of monetary items held in Hong Kong Dollars ("**HKD**") and USD, and the value changes with the fluctuation in the HKD/CAD and USD/CAD exchange rates. As at March 31, 2023, the Company held HK$1.4 million (C$0.2 million based on the HKD/CAD exchange rate at the same date) and USD$11.5 million (C$15.6 million based on the USD/CAD exchange rate at the same date)

Changes in the HKD/CAD foreign exchange rate of less than 10% would not materially change the Company's financial statements. Changes in the HKD/CAD foreign exchange rate +/- USD$0.01 would decrease/increase the foreign exchange gain as at March 31, 2023 by C$0.12 million respectively and increase/decrease the Company's USD denominated debt by the same amounts.

(d) Capital management

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

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

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

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

The following represents the capital structure of the Company:

C$	**As at March 31, 2023**	As at December 31, 2022
Long term debt *(excluding current portion as per Note 10)*	**14,708,815**	2,623,699
Other liabilites	**550,388**	655,764
Long term lease liabilities *(current portion included in net working capital deficit)*	**691,119**	861,879
Net working capital deficit	**10,679,648**	34,344,269
Net debt	**26,629,970**	38,485,611
Shareholders' equity	**6,616,206**	8,677,550
Total	**33,246,176**	47,163,161

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

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada ("**EDC**") totaling C$4.4 million. On July 30, 2020 the aggregate PSG was reduced to C$1.85 million. On October 17, 2022, the aggregate PSG was reduced to C$1.55 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit ("**L/C**") on behalf of the Company. Previously, these L/C's were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C's subject to subsequent approval by the EDC. As at March 31, 2023, the Company has PSG coverage for the following L/C's:

Amount	**Expiry**
C$710,000	March 16, 2024
C$408,158	December 30, 2023

The PSG facility has a 12 month term and must be renewed annually. The current term expires on September 30, 2023. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C's and the Company will seek alternative insurance arrangements to guarantee the L/C's or cash collateralize them.

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 as at March 31, 2023:

C$	**Total**	**Less than 1 year**	**1–2 years**	**3–5 years**	**After 5 years**
Transportation commitment	11,710,901	3,195,275	3,195,275	3,193,882	2,126,469
Jixing agreements[2]	122,921,050	6,903,975	8,821,596	15,699,567	91,495,912
PSG facility[1]	1,118,158	408,158	710,000	—	—
Total	**135,750,109**	**10,507,408**	**12,726,871**	**18,893,449**	**93,622,381**

(1) The PSG facility commitment will only be due if the facility is not renewed and the L/C's are cash collateralized by the Company (see Note 20).

(2) Refer to Note 26 in the audited financial statements for the year ended December 31, 2022 for details on the Jixing agreements.

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	61.45	2018–12–01	2026–11–30	8 years

The firm service transportation agreements cover the period from December 1, 2018 to November 30, 2026 (the firm service fee varies and is subject to review by the counter-party on an annual basis). The amounts presented in the table above for the transportation service commitment fee is based on fixed transportation capacity as per these agreements and management's best estimate of future transportation charges. On April 1, 2022, the Company transferred 47 MMcf/d of its FT-R obligations to another issuer.

JX Energy Ltd.
（吉星新能源有限責任公司）*

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2023 and 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") of JX Energy Ltd., formerly Persta Resources Inc. ("**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, 2022 and 2021 (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 12, 2023.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A are forward-looking statements that are, by their nature, subject to significant risks and uncertainties and the Company hereby cautions investors about important factors that could cause the Company's actual results to differ materially from those projected in a forward-looking statement. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this MD&A), uncertainties and other factors some of which are beyond the Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, the Company strongly cautions investors against placing undue reliance on any such forward-looking statements. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the resources and reserves described can be profitably produced in the future. Further, any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

All forward-looking statements in this MD&A are expressly qualified by reference to this cautionary statement.

NON-IFRS FINANCIAL MEASURES

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and sometimes referred to in this MD&A as Generally Accepted Accounting Principles ("**GAAP**") as issued by the International Accounting Standards Board ("**IASB**").

This MD&A also includes references to financial measures commonly used in the oil and natural gas industry. These financial measures are not defined by IFRS as issued by IASB and, therefore, are referred to as non-IFRS measures. The non-IFRS measures used by the Company may not be comparable to similar measures presented by other companies. See "Non-IFRS Financial Measures" of this MD&A for information regarding the following non-IFRS financial measures used in this MD&A: "operating netback" and "adjusted EBITDA".

FUTURE PROSPECTS

The Company acquired Petroleum and Natural Gas Licenses for Basing, Voyager and Kaydee in the Alberta Foothills and Dawson near Peace River in northern Alberta between 2006 and 2018. Approximately 90% of the Company's revenue is generated from the Basing area. Voyager is geologically analogous and located approximately 30 kilometers ("**km**") from Basing.

During 2022, commodity prices surged as the global economy started to recover from the COVID-19 pandemic and the war in the Ukraine. The price for natural gas in Western Canadian achieved 10-year highs in 2022, and is forecast to stabilize through 2023. As the spot price for Western Canadian gas changes daily, there is no guarantee the Company will sell its gas in the future for currently forecast prices. The Company is evaluating additional targets which it would look to commence drilling on during 2023 and 2024, subject to availability of capital.

In November 2022, the Company entered into a private placement subscription agreement to issue 10 million common shares at a price of HK$1.11 per common share. As of March 31, 2023, the share proceeds have not been received.

On March 27, 2023, the Company paid its outstanding Subordinated Debt (the "**SubDebt**") through a combination of a shareholder loan from Jixing for USD$8.0 million (the "**Jixing Loan**") and USD$3.5 million from CIMC Leasing USA, Inc. (the "**CIMC Loan**"). Both the Jixing Loan and the CIMC Loan are term loans to be repaid over 48 months in equal monthly payments.

SELECTED QUARTERLY INFORMATION

Daily Average Production	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Natural gas (mcf/d)	**9,995**	10,500	10,500	10,371	11,470	11,800	11,344	12,607	13,518
Crude oil (bbls/d)	**60**	55	55	56	65	80	81	76	65
NGLs and condensate (bbls/d)	**63**	74	74	71	77	90	99	107	90
Total production (boe/d)	**1,789**	1,880	1,880	1,855	2,054	2,137	2,071	2,284	2,408
Daily Average Trading									
Natural gas (boe/d)	**7**	8	8	8	31	22	34	33	10
Daily Average Sales (boe/d)	**1,796**	1,887	1,887	1,863	2,085	2,159	2,105	2,317	2,418

Financial *C$ 000s except share amounts*	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Production revenue	**4,041**	11,545	8,927	8,893	6,364	6,566	5,051	4,909	4,954
Net trading revenue (loss)	**(0)**	164	161	1	(12)	(12)	(1)	—	2
Royalties	**(612)**	(2,318)	(1,824)	(1,224)	(1,127)	(1,193)	(532)	(75)	(863)
Operating costs	**(3,157)**	(6,223)	(5,151)	(3,323)	(3,279)	(3,409)	(3,607)	(3,742)	(3,624)
Operating netback[1]	**272**	3,168	2,113	4,347	1,946	1,951	912	1,091	469
Net income (loss)	**(2,096)**	(11,937)	(2,015)	5,358	2,999	(1,549)	1,507	(1,925)	(2,842)
Net working capital[2]	**(10,680)**	(34,344)	(33,595)	(27,501)	(17,942)	(22,740)	(12,572)	(8,153)	(31,512)
Total assets	**49,914**	52,399	60,983	58,177	57,763	52,982	47,898	42,205	43,425
Capital expenditures[3]	**92**	1,191	1,088	(93)	193	5,489	2,918	126	91
Income (loss) per share (basic & diluted)	**(0.00)**	(0.02)	(0.00)	0.01	0.01	(0.00)	0.00	(0.01)	(0.01)

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

(2) Net working capital consists of current assets less current liabilities. As at December 31, 2021, net working capital includes C$3 million shareholder debt which matured on December 31, 2021 and C$5 million of subordinated debt payments due in 2022. As at December 31, 2022, net working capital includes C$15 million of long term debt which was repaid on March 27, 2023 and C$3 million of shareholder debt which was extended into 2024 on March 17, 2023.

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

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.

Commodity prices strengthened throughout 2021 and the first half of 2022, reflecting the increased quarterly revenue realized from declining production experienced between Q4 2021 and Q2 2022. In Q3 2022 the Company shut in select wells for periods of time due to a combination of market price and pipeline maintenance. In Q4 2022, the commodity prices increased reflecting the seasonal demand typically seen in winter.

The Company's higher net loss experienced in Q4 2022 is attributable to impairment losses and write-offs recognized during the period. These impairment losses are non-cash charges resulting from assessments which indicated the carrying costs of the Company's assets exceed their estimated future recoverable amounts. In 2021 and 2022 the increase in the market value of the Company's assets commensurate with the increase in commodity prices, allowing a partial recovery of the previously booked impairment losses in the third quarter of 2021 and first and second quarters of 2022. In Q4 2022 the commodity price dropped in comparison to the first half of 2022. As a result, an impairment was recorded in Q4 2022 which substantially reversed the recoveries recorded in the first half of 2022.

RESULTS OF OPERATIONS

Daily Production and Sales Volumes

Boe Conversions — Per barrel of oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent (6:1). Barrel of oil equivalents ("**boe**") may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, as the value ratio between natural gas and crude oil based on current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

	Three months ended March 31,		
	2023	2022	Change
Production			
Natural gas (mcf/d)	**9,995**	11,470	(13%)
Oil (bbl/d)	**60**	65	(8%)
NGLs (bbl/d)	**22**	27	(18%)
Condensate (bbl/d)	**41**	50	(17%)
Total production (boe/d)	**1,789**	2,054	(13%)
Trading			
Natural gas (mcf/d)	**39**	189	(79%)
Total trading (boe/d)	**7**	25	(74%)
Total sales volume (boe/d)	**1,796**	2,079	(14%)

Total sales volume for the three months ended March 31, 2023 was 13% lower than the comparative period in 2022 attributable to natural declines.

The Company did not enter into any forward sales contracts during 2023 or 2022, and traded gas on days when it would not be able to deliver its nominated volume. As nominations are made daily, a shortfall experienced on a given day can be rectified the next day adjusting the nomination to reflect changes in production. As the Company's production is stable, shortfalls are infrequent as demonstrated by the small quantity of gas traded in 2023 and 2022 comprising only 0.4% and 1.2% respectively, of the total gas sold during the quarter.

Natural gas liquids ("**NGLs**") and condensate production are by-products of natural gas. The amount of NGL and condensate production varies for each well, and their production rates as a percentage of natural gas production can change over time. On an absolute boe/d basis, NGL and condensate production declined commensurate with natural declines in natural gas production.

Oil production for the three months ended March 31, 2023 was 8% lower than the comparative period in 2022 as the Company shut-in production of one well and natural declines.

Revenue

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Production			
Natural gas	**3,024**	5,226	(42%)
Crude oil	**538**	554	(3%)
NGLs	**72**	94	(23%)
Condensate	**407**	490	(17%)
Total production revenue	**4,041**	6,364	(36%)
Trading			
Natural gas trading revenue	**12**	82	(86%)
Natural gas trading cost	**(12)**	(94)	(87%)
Total trading revenue (loss)	**(0)**	(12)	(98%)
Other income	**7**	23	(68%)
Total revenue	**4,048**	6,375	(36%)

Production revenue for the three months ended March 31, 2023 decreased 42% over the comparative period in 2022 due to weaker commodity pricing and the declines in production. Crude oil prices have dropped compared to the comparative period in 2022, however, the Company is able to control when it ships crude to market, optimizing pricing opportunities. Pricing for NGLs and condensate are correlated to crude oil and revenue has dropped in proportion to the drop in production.

During the three months ended March 31, 2023, the Company experienced a small trading gain compared to a trading loss in the comparative period. Other income for the three months ended March 31, 2023 dropped due to the loss of rental income in February 2023.

Commodity prices

	Three months ended March 31,		
	2023	2022	Change
Natural gas *(C$/mcf)*			
Average market price *(AECO)*	**3.18**	4.54	(30%)
Average trading price	**3.31**	4.81	(31%)
Average trading cost price	**3.37**	5.52	(39%)
Average sales price	**3.32**	4.85	(32%)
Crude oil *(C$/bbl)*			
Average market price *(Edmonton Par)*	**76.18**	103.38	(26%)
Average sales price	**100.19**	94.75	6%
Sales/market differential	**32%**	(8%)	
NGLs *(C$/bbl)*			
Average market price *(Propane/Butane)*	**43.20**	50.44	(14%)
Average sales price	**36.03**	38.44	(6%)
Sales/market differential	**(17%)**	(24%)	
Condensate *(C$/bbl)*			
Average market price *(Pentane Plus)*	**103.98**	123.14	(16%)
Average sales price	**109.72**	109.18	0%
Sales/market differential	**6%**	(11%)	

Realized gas price sales for the three months ended March 31, 2023 was 32% lower than the same period in 2022 due to AECO pricing for the period decreasing. The Company does not utilize forward contracts to sell its gas and daily trading prices do not necessarily reflect the average AECO price for the period.

During the three months ended March 31, 2023 and 2022, the Company traded gas as required to meet shortfalls in its daily production nomination. The average trading price is a function of the gains or losses realized on the quantity and price of gas traded over a given time, and therefore not directly comparable to prior periods.

NGL production is tied to natural gas production. The Company's natural gas wells produce varying amounts of NGLs (propane and butane), which are sold at different prices in the market. As some wells are shut-in, the NGL production matrix is impacted, resulting in a changing realized price dependent on the composition of NGLs. Additionally, the quantity of butane and propane produced by a well can change over time. Generally the more butane produced, the higher the realized price for NGLs. For the three months ended March 31, 2023, realized NGL prices were below average market prices as the Company's NGLs were propane weighted.

The Company's realized condensate and crude oil prices for the three months ended March 31, 2023 were higher than the average market prices over the same period attributable to the quality of the oil produced. Variations from the benchmark are a function of product sales occurring periodically over the quarter and year, compared to the average daily reference price.

Royalties

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Natural gas, NGLs and condensate	**382**	1,045	63%
Crude oil	**230**	82	182%
Total royalties	**612**	1,127	46%
Effective average royalty rate	**15%**	18%	14%

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, 2023 and 2022, the Company's base royalty rate for natural gas ranged from 5% to 26%, the base royalty rate for NGLs (propane and butane) was 30% and the base royalty rate for condensate and crude oil was 40%. Effective royalty rates can differ from the base rates if the production qualifies for any cost allowances which offset the base amount payable.

The Company forecasts its effective royalty rate will range between 15–20% for 2023, reflecting new production from Basing and Voyager which benefit from the Modernizing Alberta's Royalty Framework, under which a company will pay a flat royalty of 5% on a well's early production until the well's total revenue from all hydrocarbon products equals the drilling and completion cost allowance.

Operating Costs

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Natural gas, NGLs and condensate	**3,023**	3,157	(4%)
Crude oil	**134**	122	10%
Total operating costs	**3,157**	3,279	(4%)
Unit Cost *(C$/boe)*			
Natural gas, NGLs and condensate	**19.42**	17.64	10%
Crude oil	**25.05**	20.98	19%
Average cost	**19.61**	17.74	11%

Total operating costs ("**opex**") for natural gas, NGLs and condensate for the three months ended March 31, 2023 was 4% lower than the comparative period in 2022, attributable to the lower volume of production in the current period. On a Unit Cost basis, 2023 crude oil opex for the three months ended March 31, 2023 was higher than the comparative period reflecting increased liquids handling and water disposal charges.

General and Administrative Costs

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Staff costs	**170**	196	(13%)
Directors fees	**30**	30	—
Phantom Unit charges (recovery)	**(105)**	14	(827%)
Accounting, legal and consulting fees	**275**	304	(9%)
Office	**140**	36	289%
Share-based expense	**35**	13	178%
Other	**40**	30	31%
Total G&A costs	**585**	624	(6%)
Capitalized staff costs	**88**	88	

Total general and administrative ("**G&A**") costs for the three months ended March 31, 2023 was 6% lower than the comparative period in 2022, attributable to costs and recoveries associated with the Phantom Unit Plan reflecting changes in the Company's share price over the same period.

For the three months ended March 31, 2023, the Company's accounting, legal and consulting fees in the current period were approximately C$29k lower than the same period in 2022, reflecting increases in the Company's audit and professional fees, offset by decreases in consulting fees. For the three months ended March 31, 2023, office expenses increased C$104k over the same period in 2022 primarily due to the Company moving its head office. Other costs include memberships, travel and accommodation, and the total amounts are consistent with the prior period. Capitalized G&A costs are comprised of qualifying expenditures in respect of geological and geophysical activities.

Finance Expenses

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Interest expense and financing costs:			
Subordinated debt	**409**	629	(35%)
Right of use assets and leases	**48**	57	(15%)
Commitment charges	**(12)**	16	(172%)
Capital payables	**26**	—	
Other financing costs and bank charges	**(7)**	4	(268%)
Accretion expenses:			
Decommissioning liabilities	**49**	54	(10%)
Shareholder loans	**(90)**	10	(1019%)
Amortization of debt issuance costs	**186**	129	44%
(Gain) loss on foreign exchange	**(216)**	0	(359601%)
Total finance expenses	**393**	899	(56%)

For the three months ended March 31, 2023 interest expense was incurred from the Company's subordinated debt, capital payables and capitalized leases. Following a principal payment of C$4.3M in December 2021 which reduced the principal from C$24.3 million to C$20 million, the interest rate on the Company's subordinated debt reverted from 16% to 12%. During the first and second quarters of 2022, the Company made a further C$5 million of principal payments reducing the subordinated debt to C$15 million, and the interest rate has lowered to 10% for the remainder of the term pursuant to the 2022 Restructuring (as defined in the section titled "**Capital Resources**" herein).

For the three months ended March 31, 2023 and 2022, accretion expenses were incurred from decommissioning liabilities and the fair-value adjustment of the Company's shareholder loans. Amortization of debt issuance costs includes legal fees, commissions and commitment fees which were incurred for the closing and subsequent amendments to the subordinated debt facility (refer to Note 13 to the 2022 Audited Financial Statements). These costs are capitalized against the debt and were completely amortized in March 2023 as part of the SubDebt repayment.

For the three months ended March 31, 2023, the gain in foreign exchange is primarily due to the difference in the USD:CAD exchange rate from March 27, 2023 when the CIMC and Jixing Loans were received, and the exchange rate on March 31, 2023.

Depletion, Depreciation and Amortization

	Three months ended March 31,		
C$ 000s except per unit costs	**2023**	2022	Change
Depletion	**1,197**	1,276	(6%)
Depreciation	**1**	9	(88%)
Amortization of right of use assets	**199**	190	5%
Total DD&A	**1,397**	1,475	(5%)
Per boe	**8.68**	7.98	9%

Depletion, depreciation and amortization ("**DD&A**") expense is comprised of depletion incurred from production of the Company's developed assets, the depreciation expense is comprised of the depreciation of fixed assets including office furniture, office equipment, vehicles, computer hardware and computer software and amortization of capitalized leases carried as right of use assets.

Depletion is a function of both production and the capitalized value of assets subject to depletion. The increase in DD&A on a per boe basis for the three months ended March 31, 2023 over the comparative periods in 2022 is attributable to the reduction in Company's reserves from production.

Impairment Recovery and Write-Offs

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
PP&E impairment (recovery)	**—**	(4,028)	100%
Total impairment (recovery)	**—**	(4,028)	100%

For the three months ended March 31, 2022, the Company identified indicators of impairment recovery of its PP&E assets in the Basing Cash Generating Unit ("**CGU**"), attributable to changes in commodity prices. The recoverable amount of the Basing CGU was estimated based upon the higher of value in use or fair value less costs of disposal. Fair value less costs of disposal was used, and the recoverable amount is within the Level 3 hierarchy of IFRS 13.

The Company calculated the recoverable amount of the Basing CGU based on forecasted cash flows from proved plus probable reserves using a 12% before-tax discount rate, with escalated prices and future development costs as obtained from the independent reserve report. Based on the assessment, the carrying amount of the Company's Basing CGU was higher than its recoverable amount, and the Company recognized a recovery of C$4 million.

(Loss) and Comprehensive (Loss)

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
Total (loss) income and comprehensive (loss) income	**(2,096)**	2,999	(170%)

(Loss) and comprehensive (loss) for the three months ended March 31, 2023 was 170% lower than the comparative period in 2022, attributable to the impairment charges on the Company's CGUs.

CAPITAL EXPENDITURES

	Three months ended March 31,		
C$ 000s	**2023**	2022	Change
PP&E			
Production facilities	**—**	24	(100%)
Drilling, completion and workovers	**4**	81	(95%)
G&A costs capitalized	**88**	88	—
Total PP&E	**92**	193	(52%)
E&E Assets			
Drilling, completion and workovers	**30**	—	100%
Total E&E	**30**	—	100%
Total PP&E and E&E	**122**	193	(37%)
Change in non-cash working capital	**(1,285)**	(1,619)	(21%)
Total	**(1,162)**	(1,426)	(18%)

For the three months March 31, 2023 total PP&E capital expenditures ("**capex**") was C$0.1 million, compared to $C0.2 million in same period in 2022. The decrease is attributable to the Company not making any significant capital expenditures in the first quarter of 2023. In the three months ended

March 31, 2023 and 2022, the Company capitalized a total of C$0.1 and C$0.1 million of G&A respectively, in accordance with its accounting policies (refer to Note 4 in the 2022 Audited 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 optimize the use of its capital to provide an appropriate investment return to its shareholders.

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

Capital structure of the Company

The Company's capital structure is as follows:

C$ 000s	**As at March 31, 2023**	As at December 31, 2022
Long term debt[(1)]	**14,709**	2,624
Long term accounts payable[(5)]	**12,698**	—
Other liabilites	**550**	656
Long-term lease liabilities[(2)]	**691**	862
Net working capital deficit[(2)]	**10,680**	34,344
Net debt	**39,328**	38,486
Shareholders' equity[(3)]	**6,616**	8,678
Total capital	**45,944**	47,163
Gearing ratio[(4)]	**86%**	82%

Notes:

1 This is the fair value of the long-term debt.

2 Net working capital consists of current assets less current liabilities. The current portion of lease liabilities is included in net working capital.

3 As at March 31, 2023, the Company has 449,886,520 common shares issued and 3.78 million stock options issued with a strike price of HK$0.52 per option, and 0.8 million stock options issued with a strike price of HK$0.48 per option.

4 Gearing ratio is defined as net debt as a percentage of total capital.

5 Long term accounts payable consists of the related party opex payable which is deferred under the CIMC Loan terms, whereas the opex payable not be paid (except for certain exclusions) until the CIMC and Jixing Loans have been paid in full.

As at March 31, 2022, net working capital includes C$24.5 million of subordinated debt which was repaid on March 27, 2023.

Performance services guarantee ("PSG") facility

On April 25, 2018, the Company obtained a PSG facility from Economic Development Canada ("**EDC**") totaling C$4.4 million. On July 30, 2020 the aggregate PSG was reduced to C$1.85 million. Under the terms of the PSG facility, EDC will guarantee qualifying letters of credit ("**L/C**") on behalf of the Company. Previously, these L/C's were cash collateralized, following approval by the EDC the requirement of the Company to hold cash to underwrite the L/C is relieved for the duration of the PSG approval. Under the terms of the PSG facility, the L/C guarantee period is the lesser of one year or the term of the L/C if less than 12 months. The guarantee can be renewed annually for long term L/C's subject to subsequent approval by the EDC. As at March 31, 2023 the Company has PSG coverage for the following L/C's:

Amount	**Expiry**
C$710,000	March 16, 2024
C$408,158	December 30, 2023

The PSG facility has a 12 month term and must be renewed annually and the current term expires on September 30, 2023. If the facility is not approved for renewal, the PSG coverage will terminate at the expiry of the existing L/C's and the Company will seek alternative insurance arrangements to guarantee the L/C's or cash collateralize them.

Capital resources

The Company operates in a capital intensive industry. The Company's liquidity requirements arise principally from the need for financing the expansion of its exploration and development activities, acquisition of land leases and petroleum and natural gas licenses. The Company's principal sources of funds have been proceeds from bank borrowings, equity financings, shareholder loans and cash generated from operations. The Company's liquidity primarily depends on its ability to generate cash flow from its operations and to obtain external financing to meet its debt obligations as they become due, as well as the Company's future operating and capital expenditure requirements.

On September 1, 2021, the Company and a Director arranged a loan facility for up to C$3 million (the "**2021 Shareholder Loan**"). C$1.5 million was advanced to the Company on the same day, the remaining C$1.5 million was advanced to the Company on October 27, 2021. The proceeds were used to fund part of the capital costs for the new Basing well and general corporate purposes. During the year ended December 31, 2022, the Company repaid C$2.998 million of the 2021 Shareholder Loan, the balance of C$0.2k was paid in January 2023.

On December 3, 2021, the Company completed a private placement issuing 16 million common shares at a price of HK$0.80 per share for gross proceeds of HK$12.8 million (C$2.05 million) with Jilin Nuoshida Energy Investment Co., Ltd. ("**Jilin**"). On June 8, 2021 the Company entered into a subscription agreement with Dalian Yongli Petrochemical Ltd. ("**Dalian**") (as subsequently amended as detailed in the Company's announcement on October 28, 2021) pursuant to which the Company conditionally agreed to allot and issue, and Dalian conditionally agreed to subscribe for 55 million common shares at a minimum price of HK$0.80 per share. As Dalian is a connected person (as defined in the Listing Rules) of the Company, the subscription agreement, supplemental agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Independent Shareholders approval was obtained at a special general meeting of shareholders on October 15, 2021. On December 13, 2021, the Company completed the first tranche of the Dalian subscription agreement issuing 20 million common shares at a price of HK$0.80 per share for gross proceeds of HK$16 million (C$2.56 million). On April 29, 2022, the Company completed the second and final tranche of the Dalian subscription agreement issuing 35 million common shares at a price of HK$0.80 per common share ("**Dalian Tranche 2**") for gross proceeds of HK$28 million (C$4.48 million).

On May 5, 2022, the Company entered into a subscription agreement with Dalian, pursuant to which the Company conditionally agreed to allot and issue, and Dalian conditionally agreed to subscribe for 17 million common shares at a price of HK$1.00 per common share. As Dalian is a connected person (as defined in the Listing Rules) of the Company, the subscription agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company under the Listing Rules and is subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. On July 18, 2022 the Company completed the placing to Dalian for gross proceeds of HK$17 million (C$2.75 million).

On November 18, 2022, the Company entered into a private placement subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 10 million common shares at a price of HK$1.11 per common share. As at March 31, 2023, the subscription proceeds have not been received and are expected to be received in May 2023. Upon receipt, the funds will be used to pay outstanding accounts payable from the exploration well drilled in Basing in the fourth quarter 2022.

On March 11, 2022, the Company and lender agreed to restructure the loan agreement (the "**2022 Restructuring**"). Under the terms of the 2022 Restructuring, financial covenants in respect of net debt to total proved reserves and net debt to TTM EBITDA (as defined in Note 13 of the 2021 Audited Financial Statements) have been waived for the remainder of the loan term. The Company is obligated to make a principal payment of C$2.5 million on or before September 30, 2022, a principal payment of C$2.5 million on or before December 31, 2022 and a principal payment of C$1.0 million on or before March 31, 2023. During the second quarter of 2022, the Company made principal payments totalling C$5.0 million, satisfying the 2022 principal payment obligations pursuant to the 2022 Restructuring. The subordinated debt was repaid in full on March 27, 2023.

As at March 31, 2023, the Company had a working capital deficiency of C$10.6 million and has fully drawn USD$11.5 million on the CIMC Loan and the Jixing Loan.

The Company obtained new long-term debt through a combination of a shareholder loan from Jixing for USD$8 million, and USD$3.5 million from the CIMC Loan. As a condition of the shareholder loan and CIMC Loan, on March 27, 2023 the Company repaid the outstanding secured debt balance of C$15.75 million plus C$116,000 of interest. The shareholder loan has a term of 48 months and bares interest of 9.25% per annum. The Company is be required to make monthly interest and principal payments of USD$200,031.36.

The CIMC Loan has a term of 48 months, bares 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, an executive Director and the Company's Chairman. The Company will be required to make monthly interest and principal payments of USD$87,513.72. The CIMC Loan will be senior to all other debt and equity payments, including the Jixing Gas Handling and Jixing Voyager Compression Agreements.

The global impact of COVID-19 has resulted in significant volatility in global stock markets and has forecasted a great deal of uncertainty as to the health of the global economy. These factors may have a negative impact on the Company's operations and its ability to raise financing to meet its 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 subordinated debt.

The Company's ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operations, equity and/or debt financing, disposing of assets or other arrangements to fund future development capital and ongoing operations. There are no assurances that any transactions will be completed on terms acceptable to the Company. These conditions cause material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

Use of proceeds from the Dalian Tranche 2 Subscription
C$ 000,000

Business objective as stated in the Circular[1]	**% of total net proceeds**	**Planned use of net proceeds from the Closing Date to March 31, 2022[2]**	**Actual use of net proceeds during the period from the Closing Date to March 31, 2022[2]**	**Proceeds unused**
Drilling new well at Basing	35%	1.51	—	—
SubDebt principal payment	45%	1.94	—	—
General working capital	20%	0.86	—	—
Total	**100%**	**4.30**	**—**	**—**

Notes:

(1) Refer to the Company's shareholder proxy circular (the "**Circular**") dated September 17, 2021.

(2) The Dalian Tranche 2 subscription was closed on July 18, 2022 (the "**Closing Date**").

Use of proceeds from the November Subscription
C$ 000,000

Business objective as stated in the annoucement[1]	**% of total net proceeds**	**Planned use of net proceeds from the Closing Date to March 31, 2023**	**Actual use of net proceeds during the period from the Closing Date to March 31, 2023**	**Proceeds unused[2]**
Drilling exploration well at Basins	100%	1.88	—	—
Total	**100%**	**1.88**	**—**	**—**

Notes:

(1) Refer to the Company's announcement dated November 18, 2022.

(2) The subscription proceeds have not been received as of March 31, 2023.

SHARES, WARRANTS AND STOCK OPTIONS OUTSTANDING

Common Shares

On December 3, 2021, the Company completed a private placement issuing 16 million common shares at a price of HK$0.80 per share for gross proceeds of HK$12.8 million (approximately C$2.05 million). On December 13, 2021, the Company completed the first tranche of a private placement issuing 20 million common shares at a price of HK$0.80 per share for gross proceeds of HK$16 million (C$2.56 million). On April 29, 2022, the Company completed the second and final tranche of the Dalian subscription agreement issuing 35 million common shares at a price of HK$0.80 per common share for gross proceeds of HK$28 million (C$4.48 million).

On May 5, 2022, the Company entered into a subscription agreement with Dalian, pursuant to which the Company conditionally agreed to allot and issue, and Dalian conditionally agreed to subscribe for 17 million common shares at a price of HK$1.00 per common share. As Dalian is a connected person (as defined in the Listing Rules) of the Company, the subscription agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company under the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. On July 18, 2022 the Company completed the placing to Dalian.

In November 2022, the Company entered into a private placement subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 10 million common shares at a price of HK$1.11 per common share.

As at March 31, 2023, the Company has 449,886,520 common shares outstanding.

Warrants

On August 13, 2018, the Company issued 8.0 million warrants for total consideration of C$0.75 million. The warrants were issued with an exercise price of HK$3.16 per warrant and a term of 5 years. Pursuant to the 2020 Restructuring (see Note 13 of the audited financial statements for the year ended December 31, 2021), the Company has agreed to re-price the 8 million share purchase warrants previously issued to the lender. This re-pricing was subject to the Stock Exchange and Shareholder approval which was granted in August 2022. The new exercise price of the warrants was calculated at HK$0.58 based on the average price of the Common Shares on the Stock Exchange for the five trading days immediately preceding the date on which the re-pricing of the exercise price of the warrants is approved by the Shareholders.

As part of the repayment of the subordinated debt on March 27, 2023, the warrants were forfeited unexercised.

Stock Options

The Company has a stock option plan which was approved and adopted by the shareholders of the Company by ordinary resolution passed on June 8, 2018 (“**Stock Option Plan**”). On May 18, 2020, the Company issued 3.78 million options with an exercise price of HK$0.52 per option and a term of 5 years. On November 30, 2022, the Company issued 0.8 million options with an exercise price of HK$0.48 per option and a term of 5 years. The options vest equally over a 3 year period, with the first tranche vesting on the first anniversary of the award, and the second and third tranches vesting equally on the second and third anniversary respectively. As at March 31, 2023 and as at the date of this MD&A, the Company has 4.58 million options outstanding (2022: 3.78 million).

COMMITMENTS

Commitments and contingencies exist under various agreements and operations in the normal course of the Company’s business. Refer to Note 21 of the Financial Statements and Note 28 of the 2022 Audited Financial Statements for disclosure of the Company’s commitments and contingencies.

DIVIDEND

The Board did not approve the payment of a dividend for the three months ended March 31, 2023 and 2022.

RELATED PARTY TRANSACTIONS

Refer to Note 19 of the Financial Statements and Note 26 of the 2022 Audited 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, 2023 and 2022.

PLEDGED ASSETS

As disclosed in this MD&A, all assets, except for the Oil and Gas assets are pledged in support of the Company’s CIMC Loan and there are no other pledges.

CONTINGENT LIABILITIES

As at March 31, 2023 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, 2023 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 16 of the Listing Rules.

FINANCIAL RISK MANAGEMENT

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company's financial risks are discussed in Note 27 of the 2022 Audited 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, subordinated debt and shareholder loans. Due to their near term maturities, accounts receivable, accounts payable and accrued liabilities, cash and cash equivalents and shareholder loans are recorded at fair value. The subordinated debt is recorded at amortized cost.

The Company did not enter into any financial derivatives contracts for the three months ended March 31, 2023 and 2022. For the three months ended March 31, 2023, the Company experienced a foreign exchange gain of C$0.2 million (2022: loss C$0). These foreign exchange gains and losses are related to the revaluation of monetary items held in Hong Kong Dollars ("**HKD**") and United Stated Dollars ("**USD**") and the value changes with the fluctuation in the HKD/C and USD/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.

Periodically, the Company has entered into fixed price physical commodity contracts to manage commodity risk. These contracts are considered normal sales contracts and are not recorded at fair value in the financial statements. As the price for natural gas in western Canada has strengthened over the past year the Company has not entered into any additional contracts up to the date of this MD&A. The Company continually monitors the market for its products and will manage commodity risk in the future through the use of fixed physical and/or derivative contracts in periods of pricing weakness.

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 6 employees as at March 31, 2023 (2022: 6 employees). The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides reimbursements, allowances for site visits and a discretionary annual bonus for the employees. Employee compensation for the three months ended March 31, 2023 totaled C$0.28 million (2022: C$0.4 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 recognized in the period in which the estimates are revised and in any future periods affected.

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are described in Note 5 of the 2022 Audited Financial Statements.

CHANGES IN ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable IFRSs as issued by the IASB. The IASB has issued a number of new and revised IFRSs effective January 1, 2023, and the Company is in the process of evaluating the impact of the changes. For the purpose of preparing the financial statements, the Company has adopted all applicable new and revised IFRSs for the year ended December 31, 2022 (refer to Notes 4(r) and 4(s) of the 2022 Audited Financial Statements).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

For the period starting January 1, 2023 and ending March 31, 2023, Mr. Pingzai Wang in the capacity as Chief Executive Officer ("**CEO**"), and Ms. Tara Leray 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, summarized and reported within the time period specified in securities legislation.

For the period starting January 1, 2023 and ending March 31, 2023, Mr. Pingzai Wang and Ms. Tara Leray, in their capacity as CEO and CFO of the Company respectively, have designed or caused to be designed under their supervision, internal controls over financial reporting ("**ICFR**") to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely information. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

There were no changes made to JX Energy's internal controls over financial reporting during the period beginning on January 1, 2023 and ending on March 31, 2023 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, 2023. This assessment was based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

RISK FACTORS AND RISK MANAGEMENT

The Board has established a framework for identifying, evaluating and managing key risks faced by the Company. The Board, through the Audit and Risk Committee, reviews annually the effectiveness of the internal control system of the Company, considering factors such as:

- changes, since the last annual review, in nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results to the board which enables it to assess control of the Company and the effectiveness of risk management;
- the adequacy of resources, staff qualifications and experience and training programmes;
- budget of the Company's accounting and financial reporting functions; communication of the monitoring results to the Board that enables it to assess control of the Company and the effectiveness of the risk management;
- significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have caused unforeseeable outcomes or contingencies that had or might have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance with applicable listing rules and securities laws.

The liquidity position of JX Energy would be expected to be improved by a material increase in future commodity prices and an increase in proved and probable reserves based on the Company's drilling program. The Company is involved in regular discussions with its lender and is continually pursuing other financing opportunities such as alternative debt arrangements, joint venture opportunities, property acquisitions or divestitures and other recapitalization opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. If the Company is unable to obtain additional financing or come to some other arrangement with its lender, it will be required to curtail certain capital expenditure activities and/or possibly be required to liquidate certain assets. Ongoing exploration and development of JX Energy's properties will require substantial additional capital investment. Failure to secure additional financing, and/or secure other funds from asset sales, would result in a delay or postponement of development of these prospective properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favorable or acceptable to JX Energy.

JX Energy monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, royalty regime or taxation. In addition, JX Energy maintains a level of liability, business interruption and property insurance which is believed to be adequate for the Company's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2022. The AIF is available at the Company's website at www.jxenergy.ca and also www.sedar.com.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

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

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

NON-IFRS FINANCIAL MEASURES

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

Operating netback

C$ 000s	Three months ended March 31, 2023	2022	Change
Commodity sales from production	**4,041**	6,364	(36%)
Net trading revenue (loss)	**(0)**	(12)	(98%)
Royalties	**(612)**	(1,127)	46%
Operating costs	**(3,157)**	(3,279)	(4%)
Operating netback	**272**	1,946	(86%)

Adjusted EBITDA

C$ 000s	Three months ended March 31, 2023	2022	Change
Commodity sales from production	**4,041**	6,364	(36%)
Net trading revenue (loss)	**(0)**	(12)	(98%)
Royalties	**(612)**	(1,127)	46%
Operating costs	**(3,157)**	(3,279)	(4%)
General and administrative costs[1]	**(655)**	(597)	10%
Other income	**7**	23	(68%)
Adjusted EBITDA	**(376)**	1,372	127%

1 General and administrative costs excludes non-cash items including changes in the valuation of phantom units and share based compensation.

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 14 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, 2023 (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 10 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 three months ended March 31, 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the three months ended March 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not purchased, redeemed or sold any of its listed securities during the three months ended March 31, 2023.

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 Mr. Peter David Robertson (Chairman), Mr. Richard Dale Orman and Mr. Larry Grant Smith. The Audit and Risk Committee has reviewed the Company's interim results for the three months ended March 31, 2023 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 interim results announcement is published on the websites of the Stock Exchange *(www.hkexnews.hk)* and the Company *(www.jxenergy.ca)*. This announcement is prepared in both English and Chinese and in the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.

SELECTED ABBREVIATIONS

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

Crude oil and natural gas liquids

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

Natural gas

Bcf	billion cubic feet
Bcm	billion cubic meters
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 (m^3)

Mcf = 0.0283 cubic metres (10^3 m^3)

acres = 0.4047 hectares (ha)

Btu = 1054.615 joules (J)

feet (ft) = 0.3048 metres (m)

miles (mi) = 1.6093 kilometres (km)

pounds (Lb) = 0.4536 kilograms (kg)