FEC RESOURCES INC.
Financial Statements

As of December 31, 2024 and 2023
and for each of the years in the three year period ended
December 31, 2024
(Expressed in United States dollars)

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of FEC Resources Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of financial position of FEC Resources Inc. (the "Company") as of December 31, 2024 and 2023, the related statements of comprehensive income (loss), changes in equity, and cash flows, for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has disclosed certain conditions that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

CRITICAL AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Fair value – Investment in Forum Energy Limited
 	
Refer to Note 7 of the financial statements
 	
The Company holds an investment in shares of a private company that are measured at fair value through other comprehensive income. As these shares are not traded in an active market, the valuation of this investment must consider other inputs, observable or unobservable, that are available.
 	
On May 10, 2024, the Company's parent company, which also controls the investee company, proposed to increase its equity interest in the investee company through the completion of a share swap transaction. The Company determined the fair value of the investment as at December 31, 2024 based on the same methodology used to determine the pricing in this share swap transaction after factoring in changes in share prices from May 10, 2024 to December 31, 2024.
 	
We identified this fair value measurement as a critical audit matter because auditor judgment is required to evaluate whether the inputs used are appropriate and the most reliable indicator of fair value.
	Our audit procedures relating to this fair value measurement included the following, among others:
	
	• Evaluated the applicability of the share swap transaction in the valuation of the Company's investment;
	
	• With the assistance of a valuation specialist:
	    o Verified the share prices used in the calculation to determine the fair value of the investment;
	    o Assessed the appropriateness of the valuation method used;
	    o Assessed the reasonableness of the assumptions applied; and
	    o Tested the mathematical accuracy of the calculations.

/s/ DMCL LLP
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

We have served as the Company's auditor since 2017
Vancouver, Canada
July 14, 2025

FEC RESOURCES INC.
Statements of Financial Position
Expressed in United States Dollars

		December 31 2024		December 31 2023
ASSETS				
Current assets				
Cash (Note 6)	**$**	**5,756**	$	7,406
Prepaid expenses		**8,489**		9,236
		14,245		16,642
Non-current assets				
Investment in Forum Energy Limited (Note 7)		**8,568,094**		2,461,931
	$	**8,582,339**	$	2,478,573
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and accrued payables	**$**	**41,607**	$	17,049
Short term loan (Note 9)		**895,637**		678,155
		937,244		695,204
Shareholders' Equity				
Share capital (Note 8)		**17,620,625**		17,620,625
Contributed surplus (Note 8)		**3,058,063**		3,058,063
Accumulated other comprehensive income (Note 7)		**6,106,163**		-
Deficit		**(19,139,756)**		(18,895,319)
		7,645,095		1,783,369
	$	**8,582,339**	$	2,478,573

Basis of Presentation and Going Concern (Note 2)
Subsequent Event (Note 14)

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"Daniel Carlos"
Director

"Paul Wallace"
Director

The accompanying notes form an integral part of these financial statements

FEC RESOURCES INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Expressed in United States Dollars

	Year ended December 31 2024	Year ended December 31 2023	Year ended December 31 2022
General and administrative expenses			
General and administration (Notes 9 and 10)	**$ 182,241**	$ 159,202	$ 182,578
Operating loss	**(182,241)**	(159,202)	(182,578)
Interest income (Note 6)	**-**	-	38
Interest expense (Note 9)	**(62,196)**	(32,593)	(10,642)
Net loss for the year	**$ (244,437)**	$ (191,795)	$ (193,182)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:			
Changes in fair value of investment (Note 7)	**6,106,163**	-	-
Comprehensive income (loss) for the year	**$ 5,861,726**	$ (195,795)	$ (193,182)
Loss per common share			
- Basic and diluted	**$ (0.00)**	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding, basic and diluted	**861,082,371**	861,082,371	861,082,371

The accompanying notes form an integral part of these financial statements

FEC RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
Expressed in United States Dollars
For the years ended December 31, 2024, 2023 and 2022

		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total
Balance January 1, 2024	$	17,620,625	$	3,058,063	$	-	$	(18,895,319)	$	1,783,369
Total net loss for the year		-		-		-		(244,437)		(244,437)
Valuation gain on investment		-		-		6,106,163		-		6,106,163
Balance December 31, 2024	$	17,620,625	$	3,058,063	$	6,106,163	$	(19,139,756)	$	7,645,095

		Share capital		Contributed surplus		Deficit		Total
Balance January 1, 2023	$	17,620,625	$	3,058,063	$	(18,703,524)	$	1,975,164
Total comprehensive loss for the year		-		-		(191,795)		(191,795)
Balance December 31, 2023	$	17,620,625	$	3,058,063	$	(18,895,319)	$	1,783,369

		Share capital		Contributed surplus		Deficit		Total
Balance January 1, 2022	$	17,620,625	$	3,058,063	$	(18,510,342)	$	2,168,346
Total comprehensive loss for the year		-		-		(193,182)		(193,182)
Balance December 31, 2022	$	17,620,625	$	3,058,063	$	(18,703,524)	$	1,975,164

The accompanying notes form an integral part of these financial statements

FEC RESOURCES INC.
STATEMENTS OF CASH FLOWS
Expressed in United States Dollars

	Year ended December 31 2024	Year ended December 31 2023	Year ended December 31 2022
Cash used in:			
OPERATING ACTIVITIES			
Net loss for the year	**$ (244,437)**	$ (191,795)	$ (193,182)
Non-cash items included in net loss			
Accrued interest expense	**62,196**	32,593	10,642
Changes in working capital related to operating activities			
Prepaid expenses	**747**	(647)	(433)
Trade and accrued payables	**24,558**	1,687	2,043
Net cash used in operating activities	**(156,936)**	(158,162)	(180,930)
FINANCING ACTIVITY			
Loan from PXP Energy Corporation	**155,286**	356,500	278,620
Net cash provided by financing activity	**155,286**	356,500	278,620
INVESTING ACTIVITY			
Loan to Forum Energy Limited	**-**	(204,000)	(198,620)
Net cash used in investing activity	**-**	(204,000)	(198,620)
Net decrease in cash	**(1,650)**	(5,662)	(100,930)
Cash – beginning of the year	**7,406**	13,068	113,998
Cash – end of the year	**$ 5,756**	$ 7,406	$ 13,068

The accompanying notes form an integral part of these financial statements

Note 1 Corporate Information

FEC Resources Inc. ("FEC" or the "Company") was incorporated under the laws of Alberta, Canada and is a holding Company with an interest in Forum Energy Limited ("FEL"). The Company is listed in the United States on the OTC Pink ("OTC Pink"), having the symbol FECOF.

At December 31, 2024, the Company has a 6.8% interest in FEL. (Note 7).

The principal address of the Company is Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC, V6C 2B5. The Company's ultimate parent company is PXP Energy Corporation ("PXP") with a registered office at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City 1550, Metro Manila, Philippines.

Note 2 Basis of Preparation and Going Concern

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on July 14, 2025.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value described in the applicable notes and are presented in United States dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

c) Nature of Operations and Going Concern

As a holding company with an interest in FEL, the Company's business is indirectly subject to risks inherent in oil and gas exploration and development operations. In addition, there are risks associated with FEL's stage of operations and the foreign jurisdiction in which it or FEL may operate or invest. The Company has identified certain risks pertinent to its investment including: exploration and reserve risks, uncertainty of reserve estimates, ability to exploit successful discoveries, drilling and operating risks, title to properties, costs and availability of materials and services, capital markets and the requirement for additional capital, market perception, loss of or changes to production sharing, joint venture or related agreements, economic, political and sovereign risks, possibility of less developed legal systems, corporate and regulatory formalities, environmental regulation, reliance on strategic relationships, market risk, competition, dependence on key personnel, volatility of future oil and gas prices and foreign currency risk. The Company has an accumulated deficit since inception of $19,139,756.

Note 2 Basis of Preparation and Going Concern (continued)

c) Nature of Operations and Going Concern (continued)

Management considers that the current economic environment is difficult and the outlook for holding companies investing in oil and gas exploration companies presents significant challenges in terms of raising funds through issuance of shares. To the extent necessary, the Company has relied on its ability to raise funds via dispositions of quantities of its shareholdings in FEL to PXP under terms that are consistent with the best interests of shareholders, in order to finance its operations. The Company has been successful in disposing quantities of its shareholdings in FEL in previous fiscal years. However, there can be no assurance the Company will continue to be able to dispose of quantities of its shares in FEL under suitable terms. Currently management has no plans to sell any additional FEL shares.

Since the delisting of FEL from the London Stock Exchange, there is no liquidity via a public market for the FEL shares. As the Company is wholly reliant on the information disclosed by PXP concerning the business of FEL, the Company may not be able to obtain information necessary to facilitate a wider sales process and may be reliant on significant shareholders of PXP for the disposition of any of its FEL shares. Management continues to look at all options including raising funds to operate and participate in future FEL financings by way of debt or equity financings.

Management has concluded that the combination of these circumstances gives rise to a material uncertainty that casts substantial doubt on the ability of the Company to continue as a going concern; therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations because the Company’s parent company has agreed to fund the operations of the Company for the foreseeable future. As at December 31, 2024, the Company’s management believes it does not have sufficient cash to fund the ongoing operations for the next 12 months. The continuation of the Company is dependent upon its ability to raise funds via dispositions of quantities of its shareholdings in FEL to PXP under terms that are consistent with the best interests of shareholders, or obtain loans from PXP. Also, the Company may issue new shares to PXP and/or other third parties. There is no assurance that the Company will be able to obtain adequate financing in the future or that such dispositions will be on terms advantageous to the Company. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustment could be material.

Note 3 Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Foreign Currency Translation

The functional and presentation currency of the Company is the US dollar. Accordingly, foreign currency transactions and balances are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the US dollar ("foreign currencies") are translated into US dollars at the exchange rates prevailing at the balance sheet date; (ii) non-monetary assets denominated in foreign currencies and measured at other than fair value are translated using the rates of exchange at the transaction dates; (iii) non-monetary assets denominated in foreign currencies that are measured at fair value are translated using the rates of exchange at the dates those fair values are determined; and (iv) income statement items denominated in foreign currencies are principally translated using daily exchange rates, except for depreciation and depletion which is translated at historical exchange rates. Foreign exchange gains and losses are recognized in net loss and presented in the Statements of Comprehensive Loss in accordance with the nature of the transactions to which the foreign currency gains and losses relate. Unrealized foreign exchange gains and losses on cash balances denominated in foreign currencies are disclosed separately in the statements of cash flows.

b) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Note 3 Material Accounting Policy Information (continued)

c) Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

There were no dilutive instruments (consisting of shares issuable on the exercise of options and warrants) outstanding during the years ended December 31, 2024, December 31, 2023 and December 31, 2022. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

d) Financial Instruments

The Company measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 **-** Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting date.

Note 3 Material Accounting Policy Information (continued)

d) Financial Instruments (continued)

Financial Assets

Measurement – initial recognition

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method. Interest income is recognized in Other (Expense) Income, net in the statements of comprehensive income (loss).

The Company's financial assets at amortized cost consists of cash.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

(i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Note 3 Summary of Material Accounting Material Policies (continued)

d) Financial Instruments (continued)

The Company's financial assets at FVTOCI include its investment in FEL (Note 7).

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in Other Comprehensive Income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Company does not have any financial assets at FVTPL.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Note 3 Material Accounting Policy Information (continued)

d) Financial Instruments (continued)

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and short term loans. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Short term loans represent liabilities for advances from PXP for working capital and pre-drilling costs.

e) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

f) Finance Income and Expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

Note 4 Standards, Amendments and Interpretations

The Company has prepared its financial statements in accordance with IFRS Accounting Standards as issued by the IASB. IFRS Accounting Standards represents standards and interpretations approved by the IASB and are comprised of IFRS Accounting Standards, International Accounting Standards ("IAS's"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC's") and the former Standing Interpretations Committee ("SIC's"). The financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations effective as of December 31, 2024.

New IFRS Accounting Standards and interpretations or changes to existing standards with future effective dates are either not applicable or not expected to have a significant impact on the financial statements of the Company.

As at the date of authorization of these financial statements, the IASB had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after March 1, 2025. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which replaces IAS 1 Presentation of Financial Statements. This standard aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company is currently assessing the impact the new standard will have on its financial statements. Other recent accounting pronouncements are not applicable or do not have a significant impact to the Company, have been excluded.

Note 5 Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The determination of the fair value of the Company's investment in FEL is a significant accounting estimate (Note 7).

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Deferred tax assets and liabilities

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. We recognize liabilities and contingencies for anticipated tax audit issues based on our current understanding of the tax law. For matters

(Expressed in United States Dollars)

Note 5 Critical Accounting Estimates and Judgments (continued)

i) Deferred tax assets and liabilities (continued)

where it is probable that an adjustment will be made, we record our best estimate of the tax liability including the related interest and penalties in the current tax provision. We believe we have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

ii) Going Concern

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations because the Company's parent company has agreed to fund the operations of the Company for the foreseeable future. These material uncertainties may cast substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability

and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustment could be material

Note 6 Cash

Cash held at banks earns interest at floating rates based on daily bank deposit rates.

Note 7 Investment in Forum Energy Limited ("FEL")

i) Investment in FEL

The investment in FEL is summarized as follows:

	Number of shares held		Amount
Balance December 31, 2022	6,117,238	$	1,835,111
Additions	2,089,400		626,820
Balance December 31, 2023	8,206,638	$	2,461,931
Change in fair value	-		6,106,163
Balance December 31, 2024	8,206,638	$	8,568,094

As at December 31, 2024, the Company's interest in FEL was 6.80% (2023 – 6.80%).

On October 31, 2023 and November 29, 2023, the Company advanced $68,000 and $136,000 respectively to FEL representing 6.8% of a $3,000,000 financing being undertaken by FEL bringing the total advances by the Company to $627,020. The advances made to FEL are due on demand and non-interest bearing.

On December 21, 2023, $626,820 of advances made to FEL by the Company were converted to shares in FEL at a price of $0.30 per share. The $626,820 conversion into FEL shares represented 6.8% of $9,217,939 of debt settled by FEL.

Note 7 Investment in Forum Energy Limited ("FEL") (continued)

i) Investment in FEL (continued)

FEL's assets consist of interests in various petroleum service contracts in the Philippines, the most significant of which in terms of Prospective Resources is SC 72. On December 15, 2014, the Philippine Department of Energy ("DOE") granted a force majeure on SC 72 because the contract area falls within the territorial disputed area of the West Philippine Sea. Under the terms of the force majeure, all exploration work at SC 72 was immediately suspended until the DOE notified FEL that it could re-commence exploration. On October 16, 2020, FEL received a letter from the DOE lifting the force majeure and directing FEL to resume exploration activities on SC 72.

On April 6, 2022, FEL as operator under SC 72, received a directive from the DOE to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster ("SJPCC") has issued the necessary clearance to proceed. On April 8, 2022, FEL advised the DOE that in compliance with the DOE directive they "have suspended (or caused the suspension of) all activities in the West Philippine Sea beginning April 6, 2022, in the process, incurring substantial stand-by and other costs." On April 11, 2022, as a result of not receiving the necessary clearance, force majeure was once again declared on SC 72.

On October 11, 2022, the DOE granted PXP and Forum the following: (i) the Declaration of Force Majeure for SC 72 from April 6, 2022 until such time as the same is lifted by the DOE, (ii) the inclusion of total expenses incurred as a result of the DOE directive to suspend activities as part of the approved recoverable costs, subject to DOE audit, and (iii) in addition to the period in item (i) above, PXP and Forum will be entitled to an extension of the exploration period under SC 72 corresponding to the number of days that the contractors actually spent in preparation for the activities that were suspended by the DOE's suspension order on April 6, 2022.

On March 20, 2023, the DOE further affirmed that the entire period from October 14, 2020 (when the Force Majeure was lifted) to April 6, 2022 (when the same was re-imposed) will be credited back to SC 72. Thus, once the Force Majeure is lifted, Forum (GSEC 101) Limited ("FGL") will have 20 months to drill the two commitment wells, equivalent to the remaining term of SP 2 of SC 72 before October 14, 2020.

Determination of fair value

The investment in FEL represents an investment in a private company for which there is no active market and for which there are no publicly available quoted market prices.

The Company has classified its investment in FEL as Level 2 in the fair value hierarchy.

For purposes of determining fair value of the investment in FEL, the Company considered valuation techniques described in IFRS 13 – Fair Value Measurement. In respect of the investment in FEL, management considered the fair value of $8,568,094 to be indicative of the fair value of the investment in FEL. On May 13, 2024, PXP disclosed that it was undertaking a share swap with Tidemark Holdings Limited ("Tidemark") whereby PXP would exchange PXP shares for all FEL shares held by Tidemark at a value of US$1.17 per share (430,243,903 PXP shares at PHP3.62). This imputed a value of $9,601,766 on the transaction date. The Company re-calculated the volume weighted average price of the PXP shares as at December 31, 2024 resulting in a 10.77% reduction in the fair value from the transaction date. The fair value of the investment is consistent with the re-calculated implied value based

(Expressed in United States Dollars)

i) Investment in FEL (continued)

on the May 10, 2024 share swap between PXP and Tidemark, which is a Level 2 input. The share swap transaction closed on March 20, 2025.

Note 8 Share Capital

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and is authorized to issue an unlimited number of Class A and Class B preferred convertible redeemable voting shares without par value.

Issued:

Common Shares	Number	Amount
Balance December 31, 2022, 2023, and 2024	861,082,371	$ 17,620,625

No preferred shares have been issued.

b) Nature and Purpose of Equity and Reserves

Contributed Surplus is used to recognize the value of stock option grants prior to exercise.

Deficit is used to record the Company's change in deficit from income and losses from period to period.

c) Share based payments:

The Company has established a stock option plan whereby options may be granted to its directors, officers, consultants, and employees. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. The options vest immediately. There were no stock options outstanding on December 31, 2024 or December 31, 2023 and none were issued between January 1, 2022 and December 31, 2024.

Note 9 Related Party Transactions and Balances

The Company considers its officers (CEO and CFO) and directors to be key management. Key management are those persons having authority and responsibility for planning, directing, and controlling activities, directly or indirectly, of the Company.

(i) On October 31, 2023 and November 29, 2023, the Company advanced $68,000 and $136,000, respectively, to FEL representing 6.8% of a $3,000,000 financing being undertaken by FEL bringing the total advances by the Company to $627,020.

On December 21, 2023, $626,820 of advances made to FEL by the Company were converted to shares in FEL at a price of $0.30 per share. The $626,820 conversion into FEL shares represented 6.8% of $9,217,939 of debt settled by FEL. The remaining $200 of advances made to FEL was assumed by PXP.

(ii) During the year ended December 31, 2024, general and administrative expenses included key management personnel compensation totaling $48,000 (2023: $48,000; 2022: 48,000).

(Expressed in United States Dollars)

Note 9 Related Party Transactions and Balances (continued)

(iii) On March 10, 2022, the Company announced that it agreed to fund an additional cash call for pre-drilling costs received from FEL. The advance to FEL was via non-interest bearing loans. In order to be able to fund the cash call, the Company accepted a loan from PXP for the same amount ("PXP Loan"). The PXP loan bears interest of Libor plus 3.5% and both interest and principal is repayable on the earlier of a) August 31, 2025 or b) any equity issuance by FEC, or c) any sale of FEL shares by FEC, or d) any third party borrowing by FEC. The Company also received an additional $155,286 for working capital from PXP during the year ended December 31, 2024 (2023 - $356,500; 2022 - $80,000) under the same terms and conditions as the PXP Loan. As at December 31, 2024, the outstanding PXP Loan balance was $895,637 (2023 - $678,155) which included accrued interest of $105,431 (2023 - $43,235). Total interest expense amounted to $62,196 for the year ended December 31, 2024 (2023 – $32,593; 2022 – $10,642). The PXP Loan balance was reduced by $200 as a result of the assumption by PXP of the balance of the advances made to FEL (Note 9 (ii)).

Note 10 General and administrative expenses

	December 31, 2024	December 31, 2023	December 31, 2022
Professional fees	**$ 54,310**	$ 23,841	$ 31,080
Bank charges	**886**	666	3,705
Listing and filing fees	**19,929**	25,183	15,549
Office and miscellaneous	**19,219**	22,572	23,861
Consulting (Note 9)	**86,397**	86,749	103,671
Foreign exchange	**1,500**	191	4,712
	$ 182,241	$ 159,202	$ 182,578

Note 11 Income Taxes

Reconciliation of accounting and taxable income, for the years ended December 31 are as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Loss before income taxes	**$ (244,437)**	$ (191,795)	$ (193,182)
Tax expense (recovery) based on statutory rate of 27.0%	**(66,000)**	(52,000)	(52,000)
Permanent differences and other	**824,000**	(84,000)	(4,000)
	758,000	(136,000)	(56,000)
Changes in unrecognized deferred tax assets	**(758,000)**	136,000	56,000
Total income tax (recovery)	**$ -**	$ -	$ -

(Expressed in United States Dollars)

Note 11 Income Taxes (continued)

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at December 31, 2024 and 2023 are summarized as follows:

	December 31, 2024	December 31, 2023
Unrecognized deferred income tax assets:		
Allowable capital losses	$ 468,000	$ 468,000
Non-capital losses	1,945,000	1,878,000
Investments	625,000	1,450,000
Unrecognized deferred tax assets	(3,038,000)	(3,796,000)
	$ -	$ -

As at December 31, 2024, the Company had estimated non-capital losses for Canadian tax purposes of $7,202,000 that expire between 2027 to 2044 which may be carried forward to offset future years' taxable income.

The potential benefit of these carry-forward non-capital losses has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Note 12 Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Procedures

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Note 12 Financial Instruments and Risk Management (continued)

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk are comprised of foreign currency risk, interest rate risk and equity and commodity price risk.

Foreign currency exchange risk

The Company is exposed to foreign currency fluctuations for general and administrative transactions denominated in Canadian Dollars. The majority of the Company's cash is kept in U.S. dollars. As at December 31, 2024, the Company had an insignificant amount of cash denominated in Canadian dollars that was subject to exchange rate fluctuations between the Canadian dollar and the U.S. dollar. As at December 31, 2024, the Company held an insignificant amount of financial liabilities denominated in Canadian dollars that would be subject to exchange rate fluctuations between Canadian dollars and U.S. dollars.

b) Credit risk

The Company maintains cash deposits in one chartered Canadian bank which, from time to time, exceed the amount of depositor's insurance available in each respective account. Management assesses the financial condition of this bank and believes that the possibility of any credit loss is minimal. The maximum exposure of credit risk is the Company's cash deposit of $5,756 (2023: $7,406).

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company does not generate cash from operations but rather, the Company will, from time to time, issue shares via equity placements, borrow funds from an affiliated company or undertake to sell a portion of its investment in the shares of FEL should it be necessary to raise funds. The Company manages liquidity by maintaining cash balances available to meet its anticipated operational needs. Liquidity requirements are managed based on expected cash flow to ensure that there is adequate capital to meet short-term and long-term obligations. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its growth plans. At December 31, 2024, the Company's trade and accrued payables were $41,607 and loans from PXP were $895,637, all of which fall due for payment within twelve months of the date of the statement of financial position.

The carrying values of trade and accrued payables and loans from PXP approximate their fair values due to the relatively short periods to maturity of the instruments.

Liquidity risk is assessed as high.

Note 13 Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on credit facilities and to support any growth plans.

The capital of the Company consists of the items included in shareholders' equity and cash net of debt obligations. The Company monitors capital based on the debt to debt-plus-equity ratio. Debt is total debt shown on the balance sheet, less cash. Debt-plus-equity is calculated as debt shown on the balance sheet, plus total shareholders' equity which includes share capital, warrants, contributed surplus and deficit. The Company's Board of Directors approves management's annual capital expenditures plans and reviews and approves any material debt borrowing plans proposed by the Company's management.

As at December 31, 2024 the Company had no externally imposed capital requirements nor were there any changes in the Company's approach to capital management during the year.

Note 14 Subsequent Events

Subsequent to year end, the Company received an additional $220,950 for working capital under the PXP Loan.