NEXERA

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with Nexera Energy Inc. (the "Company") audited annual Consolidated Financial Statements for the year ended December 31, 2022. Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Additional information relating to the Company is available on SEDAR at www.sedar.com. The Company is listed on the TSX Venture Exchange under the symbol "NGY". The MD&A is dated June 2, 2023

BASIS OF PRESENTATION

The financial data presented below has been prepared in accordance with International Financial Reporting Standards. All amounts are reported in Canadian dollars unless otherwise indicated.

Basis of consolidation

The consolidated financial statements referenced in this MD&A include the accounts of the Company and its United States Branch, as well as Production Resources, Inc. (PRI) where the Company owns 75% of the outstanding shares. Control exists when the Company has the power over the investee, exposure or rights to variable returns from its involvement and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

Application of Accounting Estimates

The significant accounting policies used by the Company are disclosed in Note 3 to the annual Consolidated Financial Statements for the year ended December 31, 2022. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to estimates that differ materially from current estimated amounts.

Non-IFRS and Non-GAAP Measures

This MD&A includes the following measures that are from time to time used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

a) "Funds from operations" - should not be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS as an indicator of the Company's financial performance. Funds from operations is determined by adding non-cash expenses to the net income or loss for the period, deducting decommissioning liability expenditures and does not include the change in working capital applicable to operating activities. Management believes that in addition to cash flow from operating activities, funds from operations is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities before the consideration of how such activities are financed.

b) "Operating netback" - Operating netbacks are calculated by deducting royalties and operating costs, including transportation costs, from revenues.

c) "Working capital" – working capital includes total current assets and total current liabilities. The working capital ratio is calculated by deducting total current liabilities.

Going Concern

Nexera Energy Inc. (the "Company") was incorporated under the Business Corporations Act of Alberta on May 9, 1997 and is listed on the TSX Venture exchange. The Company is engaged in the exploration for and development of petroleum and natural gas properties, principally in Alberta, Canada and Texas, USA. The Company is listed on the TSX Venture exchange under the symbol "NGY.V". The Company's registered head office is located at #3A, 4015 – 1 Street South East, Calgary, Alberta, Canada T2G 4X7.

At December 31, 2022, the Company had not yet achieved profitable operations, had an accumulated deficiency of $41,631,187 ($39,306,718) since its inception and had a working capital deficiency of $20,311,563 (2021 - $17,855,863) (defined as current assets less current liabilities), and expects to incur further losses in the development of its business. The ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing or generating profitable operations in the future. Management is committed to raising additional capital to meet its exploration and operating obligation; however, additional equity financing is subject to the global financial markets and economic conditions, which have recently been disrupted and are volatile, and the debt and equity markets, which are distressed, particularly for junior petroleum and natural gas companies. All of these factors, together with the current unstable economic conditions, indicate the existence of material uncertainties related to events or conditions that cast significant doubt as to whether the Company can continue as a going concern and; therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Any adjustments necessary to the consolidated financial statements if the Company ceases to be a going concern could be material.

BOE Presentation

The term "barrels of oil equivalent" (BOE) may be misleading, particularly if used in isolation. A BOE conversion of six thousand cubic feet of natural gas to one barrel of oil (6:1) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers should be aware that historical results are not necessarily indicative of future performance.

FORWARD-LOOKING STATEMENTS

Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements.

In particular, this MD&A may contain the following forward looking statements pertaining to, without limitation, the following:

The Company’s future production volumes and the timing of when additional production volumes will come on stream; the Company’s realized price of commodities in relation to reference prices; the Company’s future commodity mix; future commodity prices; the Company’s expectations regarding future royalty rates and the realization of royalty incentives; the Company’s expectation of future operating costs on a per unit basis; future general and administrative expenses; future development and exploration activities and the timing thereof; the future tax liability of the Company; the expected rate of depletion, depreciation and accretion; the estimated future contractual obligations of the Company; the future liquidity and financial capacity of the Company; and, the Company’s ability to fund its working capital and forecasted capital expenditures. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

With respect to the forward looking statements contained in the MD&A, the Company has made assumptions regarding: future commodity prices; the impact of royalty regimes and certain royalty incentives; the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on-stream; future proved finding and development costs; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital and to continually add to reserves through exploration and development; the continued availability of capital, undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and, the continuation of the current tax and regulation.

We believe the expectations reflected in forward looking statements contained herein are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management’s Discussion and Analysis, as the case may be. The actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, which include volatility in market prices for oil and natural gas; counterparty credit risk; access to capital; changes or fluctuations in production levels; liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; stock market volatility and market valuation of the Company’s stock; geological, technical, drilling and processing problems; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry, changes in the regulatory regimes under which the Company operates, changes in the political and social environment that may impact the Company and the other factors discussed under “Risk Factors” in the following annual MD&A. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward looking statements contained in this document speak only as of the date of this document and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

OVERALL PERFORMANCE AND OUTLOOK

The Company's focus remains its oil based exploration program in South Texas.

HIGHLIGHTS OF 2022 AND EVENTS SUBSEQUENT TO THE YEAR END:

On April 20, 2023 the Company announced the closing of a Debenture/Royalty Interests Private Placement

Pursuant to this closing, an aggregate $1,000,000 of convertible unsecured debentures (the "**Debentures**") of the Corporation (the "**Offering**") were issued (of which $300,000 of Debentures were acquired by a director of the Corporation). In addition to the Debentures, an aggregate 0.70% of royalty interests ("**Royalty Interests**") of the Corporation were also issued (0.01% Royalty Interest for every $10,000 subscribed for under the Offering by non-insiders).

On March 20, 2023 the Company signed a letter of intent with the Company's lender to convert all loans to a royalty structure

The Company, and the Company's sole private lender ("Lender"), have signed a letter of intent whereby all outstanding loans, totalling $13,961,222, will be converted to a sliding scale gross overriding royalty ("GORR"). Additionally, the GORR will be capped at a maximum of $10,000,000.

The GORR will be commodity price sensitive and paid out over time on the gross proceeds from the Company's oil and gas revenue. Final terms of the GORR structure will be released upon execution of the definitive agreement, expected to be completed shortly. The Lender is extremely supportive, and the new GORR agreement will offer Nexera opportunities to see revenue and earnings growth without being subject to loans with default provisions that impede the Company's ability to grow.

Shelby Beattie, CEO of Nexera commented, "We are thrilled to have reached this agreement with our Lender as this is transformational for the Company. Converting the loans to a GORR will clean up our balance sheet and allow us the ability to rapidly grow the Company with each new well that we drill. I want to thank the Lender for their support in seeing our vision to build Nexera over the next several years as we take advantage of higher oil prices and a bullish outlook in the sector."

On October 3, 2022 the Company signed a contract for drilling horizontal wells at Stockdale, Texas

The Company, in partnership with Alliance Petroleum Interests ("Alliance") of Dallas, Texas, has signed a drilling contract with Unison Drilling Inc. to commence horizontal drilling operations on three wells at the Company's Stockdale Horizon project in South Texas. The vertical sections in the Lambeck 1H and Jendgrov 1H were drilled previously, and the Company has now secured the drilling rig and services to complete the horizontal sections in the wells. Once operations commence, drilling the wells to the targeted measured depths of approximately 6,400 feet will take approximately three to six weeks. Upon completing the horizontal sections of Lambeck 1H and Jendgrov 1H, the Company will move the rig to the McGrew 1H well to re-drill and extend the horizontal section of the well.

The three horizontal wells at Stockdale represent the Company's commitment to a new transformative strategy of drilling high impact horizontal wells as part of the Company's exploration program in South Texas.

Shelby Beattie, CEO of Nexera commented "we are excited to see the completion of these three wells as it should add meaningful revenue to Nexera. Our commitment to continue drilling more wells and building the company is our priority and immediate goal". "Having established relationships over several decades in Texas firmly positions us to aggressively identify prime drilling targets to continue to increase production" further added Mr. Beattie.

The Company will continue to pursue a carefully designed capital expenditure program at the Company's Stockdale Prospect, La Vernia assets, and Wooden Horse Kuhn Wells, as well as opportunities similar to the API Horizon JV, and MarPat partnerships.

Additionally, the Company will pursue acquisitions and dispositions which would allow us to add production, reserves, and cash flow in a cost effective manner while maintaining a level of flexibility in our balance sheet. Our proven management and dedicated team of professionals are engaged and committed to developing our high-quality asset base.

SELECTED ANNUAL INFORMATION

	2022	2021	2020
Revenue	**1,974,735**	1,353,200	943,557
Net loss	**2,324,469**	3,891,098	5,093,134
Per common share - basic	**(0.05)**	(0.07)	(0.21)
Per common share – diluted	**(0.05)**	(0.07)	(0.21)
Total assets	**3,833,497**	5,126,606	3,691,216
Total non-current financial liabilities	**4,029,951**	4,598,613	1,764,457
Cash dividends or distributions declared per common share	-	-	-

Year ended December 31, 2022

The net loss for the year ended December 31, 2022 was $2,324,469 or $0.05 per share compared to $3,891,098 or $0.07 per share in the previous year. The Company completed a 1:15 share consolidation in 2020.

Revenue from the sale of petroleum and natural gas is recorded on a gross basis when title passes to an external party and is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including production, transportation and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Revenue increased to $1,974,735 for the year ended December 31, 2022 from revenue of $1,353,200 during the year ended December 31, 2021. Year over year, the Company's revenue has increased 46%. There continues to be minimal production from the Canadian oil and gas assets as the majority of these assets were disposed prior to 2016. The Company will continue to focus on its exploration program in Texas.

Production expenses for the year ended December 31, 2022 increased to $900,073 from $613,437 for the year ended December 31, 2021 on a 46% increase in revenues.

General and administrative expenses ("G&A") increased to $1,600,655 during the year ended December 31, 2022 from $1,293,156 for the year ending December 31, 2021. The increase in the Company's G&A is consistent of the Company's efforts to grow the South Texas asset base.

	General & Administrative Expenses	
	December 31, 2022 ($)	December 31, 2021 ($)
Net G&A expense	**1,600,655**	1,293,156

Fourth Quarter Fiscal 2022

The net loss for the quarter ended December 31, 2022 was $83 thousand compared to a $283 thousand profit in the previous year.

Revenue increased to $487 thousand for the quarter ended December 31, 2022 from revenue of $312 thousand during the quarter ended December 31, 2021.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly information that has been derived from the Consolidated Financial Statements of the Company. This summary should be read in conjunction with the Consolidated Financial Statements of the Company as contained in the public record.

Quarterly Financial Information	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
($000 except per share and unit values)	**2022**	**2022**	**2022**	**2022**	**2021**	**2021**	**2021**	**2021**
Petroleum and natural gas sales	487	435	496	557	312	332	267	215
Net (loss) income	(83)	(956)	(441)	(844)	283	(282)	(577)	(3,315)
Net loss per share								
Basic and diluted	(0.05)	(0.02)	(0.01)	(0.01)	0.02	(0.01)	(0.01)	(0.07)
Average daily sales								
Natural gas (MCF/d)	8	32	7	29	6	33	29	45
Oil/NGL (BBLs/d)	41	49	36	52	41	43	42	51
Barrels of oil equivalent (BOE/d)	49	54	37	57	47	48	47	59
Average sales prices								
Natural Gas ($/MCF)	15.15	9.95	7.37	15.93	15.15	9.33	5.75	3.55
Oil/NGL ($/BBL)	90.13	126.60	144.27	108.93	94.43	78.65	66.46	44.79
Sales price of oil equivalent ($/BOE)	94.64	124.22	140.94	108.05	92.72	76.43	63.24	44.13
Operating costs ($/BOE)	47.87	37.32	60.01	30.56	30.40	19.56	48.37	9.93
Royalty Expense ($/BOE)	23.33	30.25	36.27	26.82	22.23	26.99	17.58	9.86
Operating netback ($/BOE)	23.44	56.35	29.89	(2.71)	24.35	7.94	(9.72)	2.56

Explanation of Quarterly Variances

On a quarter by quarter basis, production volumes, and accordingly petroleum and natural gas sales, have remained minimal in Canada, with little fluctuation. The Company's growth has been primarily reflected in the acquisition of the La Vernia asset in South Texas in early 2020, and the recent production optimization in all fields, spurred by recent increases in commodity prices.

LIQUIDITY & CAPITAL RESOURCES

In order to resolve its working capital deficiency of $20,311,563, and to access additional share equity, Nexera will continue to emphasize its exploration program in Texas. The Company's Texas prospects should produce better returns due to higher oil prices compared with natural gas, as well as greater drilling potential and more drilling locations. Given the Company's recurring operating losses it is critical that the Company focus on areas with the potential for growth, positive cash flow and income, which are considered to exist in the Texas.

The Company has a long history of successful private placements and anticipates that it will be able to complete private placements in the future. The Company completed the following Private Placements in Q1 2023.

> On April 20, 2023 the Company announced the closing of a Debenture/Royalty Interests Private Placement_Pursuant to this closing, an aggregate $1,000,000 of convertible unsecured debentures (the "**Debentures**") of the Corporation (the "**Offering**")

were issued (of which $300,000 of Debentures were acquired by a director of the Corporation). In addition to the Debentures, an aggregate 0.70% of royalty interests ("**Royalty Interests**") of the Corporation were also issued (0.01% Royalty Interest for every $10,000 subscribed for under the Offering by non-insiders).

(i) The Debentures will mature on the date that is three (3) years from the date of issuance (if not otherwise converted or prepaid) (the "**Maturity Date**");

(ii) (ii) the Debentures will bear interest at a rate of 10% per annum, accrued quarterly and paid annually in arrears;

(iii) (iii) upon maturity or redemption of each Debenture, the Corporation will pay any outstanding principal and any accrued and unpaid interest in cash;

(iv) (iv) each Debenture may be redeemed early by the Corporation, at its option;

(v) (v) the Debentures shall be convertible (only the principal amount and not the interest) at the option of the subscriber (and subject to a forced conversion in certain circumstances) into units of the Corporation ("**Units**") at a conversion rate of $0.05 per Unit in the first year and $0.10 per Unit thereafter and prior to the Maturity Date or redemption by the Corporation. Each Unit consists of one Common Share of the Corporation and one half of one common share purchase warrant (each whole warrant, a "**Warrant**") of the Corporation. Each whole Warrant shall entitle the holder thereof to acquire one additional Common Share at a price of $0.10 per Common Share on or prior to the Maturity Date; and

(vi) (vi) the Debentures shall be subject to a forced conversion (only the principal amount and not the interest) whereby if, after four months and one day following the date the Debentures are issued, the volume weighted average price of the Common Shares of the Corporation on the principal market on which such shares trade is equal to or exceeds CDN$0.20 for 20 consecutive trading days, the Debentures shall automatically be converted into Units at a conversion rate of $0.05 per Unit in the first year and $0.10 per Unit thereafter. The Debentures are redeemable at the option of the Corporation, in whole or in part, at any time prior to the Maturity Date for cash (and any redemption for shares would be subject to further approval of the TSX Venture Exchange).

The details of the Royalty Interests are as follows:

(i) Every holder (except if the subscriber was an insider whereby no Royalty Interest was awarded) received a royalty (0.01% royalty for every CAD$10,000 subscribed for hereunder) on the Corporation's annual gross production revenue from the first six (6) re-entry wells drilled on the Austin Chalk formation assets (located in Stockdale, Texas) to still be acquired by the Corporation with the funds from the Offering (the "**Project**"); and

(ii) The Corporation shall deliver to the holder within 150 days after the end of each fiscal year, a copy of the internally prepared calculation of the annual gross production revenue (as actually received and collected) from the Project, along with the applicable royalty payment.

The net proceeds of the Offering will be used to: (i) acquire certain re-entry well assets (in the Austin Chalk formation) in Stockdale, Texas. Further details on these assets will be press released by the Corporation at the time of acquisition (if and when acquired). All of the securities issued pursuant to the private placement are subject to a four-month hold period. The Debentures, the Royalty Interests and the Warrants will not be listed on any stock exchange

Additionally, Nexera has a long history with its lender and on March 20, 2023, the Company, and it's sole private lender ,signed a letter of intent whereby all outstanding loans, totalling $13,961,222, will be converted to a sliding scale gross overriding royalty ("GORR"). Additionally, the GORR will be capped at a maximum of $10,000,000.

The GORR will be commodity price sensitive and paid out over time on the gross proceeds from the Company's oil and gas revenue. Final terms of the GORR structure will be released upon execution of the definitive agreement, expected to be completed shortly. The Lender is extremely supportive, and the new GORR agreement will offer Nexera opportunities to see revenue and earnings growth without being subject to loans with default provisions that impede the Company's ability to grow.

LOANS AND CREDIT FACILITIES

- **Demand loan**

  On May 12, 2015, the Company entered into a loan agreement (the "Demand Loan") with a corporation owned and controlled by a party who is also a significant shareholder of the Company (the "Lender") for up to an amount of $150,000. This balance was paid down to $75,000 in 2019. The Demand Loan is due on the demand of the Lender and bears interest of 8.00% per annum, compounded monthly. The balance outstanding at December 31, 2022 is $57,010 (December 31, 2021 - $62,010) and has accrued interest of $6,328 (December 31, 2021 - $4,770) included in accounts payable and accrued liabilities. The Company may repay the Demand Loan in full at any time prior to demand without notice or penalty.

- **Note Payable and Credit facility**

  a) The Company closed a loan agreement (the "Loan Agreement") with a private company (the "Lender"), whereby the Lender issued to the Company a note payable with the ability to borrow up to $6,250,000 (the "Note payable"). The Lender is a significant shareholder of the Company. The Note Payable will have an interest free period until January 1, 2018, at which point the Note payable will bear interest at a rate equal to Prime Rate plus 1.5% per annum. The Note payable is payable upon demand by the Lender, and is secured over all of the assets of the Company.

     At December 31, 2022 the total amount outstanding under the Loan is $5,785,406, (December 31, 2021 - $5,785,406), and during the period ended December 31, 2021, the Company incurred interest of $398,905 (December 31, 2021 - $273,568). Total accrued interest included in accounts payable and accrued liabilities is $1,690,107 (December 31, 2021 - $1,291,202).

  b) The credit facility is due to a significant shareholder in the Company. The Credit facility may be drawn up to $4,600,000. At December 31, 2022 the principal balance was $4,277,107 December, 2021 - $4,003,444) and unpaid interest included in accounts payable and accrued liabilities is $2,596,501 (December 31, 2021 - $1,911,816). Interest of $684,685 (December 31, 2021 - $461,808) was expensed in the consolidated statements of comprehensive loss. The Credit facility bears interest at 9% and repayment terms are at 35% of PRI gross revenues. The credit facility is secured by Deed of Trust and financing statements. At year end, the Company was not in compliance with repayment terms and as such, this credit facility has been classified as a current liability.

While the measures to address the Company's working capital deficiency outlined in the paragraphs above will help, it is noted that these measures alone will not resolve the working capital deficiency in its entirety and as such the Company will carry a working capital deficiency for the foreseeable future. As such there is the risk that the Company many not be able to meet all of its financial obligations. In the long term it will be necessary for the Company to establish sufficient cash flows from operations to completely resolve the working capital deficiency.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not party to any arrangements that would be excluded from the balance sheet.

RELATED PARTIES

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

a) The following amounts are due from related parties:

During the year ended December 31, 1999, a promissory note for $218,500 was issued by an officer of the Company to purchase shares of the Company bearing interest at 3% per annum with no fixed maturity date, unless the officer's employment is terminated or he is petitioned into bankruptcy wherein the note and accrued interest becomes immediately payable. During the year ended December 31, 2014, the Company revised the terms of the loan (the "Revised Promissory Note"), including fixed repayment terms and removing the term securing the note with 393,000 common shares of the Company. Historically the aggregate decline in the fair value of these common shares since the inception of the promissory note would offset the amount receivable (December 31, 2013 – fair value allowance $240,789). Under the Revised Promissory Note, a balance of $247,970, including the principal of $218,500 and accrued interest, is payable by the officer to the Company. The payments were to commence on December 31, 2015, and be paid annually in $50,000 tranches until December 31, 2018, with the final payment of $47,970 due on December 31, 2019. Interest is accruing at 1% per annum, and is payable annually commencing December 31, 2015, concurrently with each principal payment. The officer may repay the principal amount in whole or in part at any time. As of December 31, 2020, the officer had not yet paid the initial instalment, and the payment term has been extended to begin on December 31, 2022 with final payment due December 31, 2025. The officer has not yet paid the initial instalment due on December 31, 2022. The terms of the loan agreement do not provide the Company with recourse to ensure repayment. Thus, the share purchase loan has been presented as a deduction from equity.

During the year ended December 31, 2020, an officer was advanced a total of $255,470. During the year ended December 31, 2020, the officer repaid $140,000 of this amount. The remaining balance of $115,471 was repaid during the year ended December 31, 2021. During the year ended December 31, 2022, an officer was advanced a total of $77,743. This balance is included in trade and other receivables at December 31, 2022.

b) Additional related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

(i) Aggregate fees of $Nil (December 31, 2021 - $Nil) were charged by directors of the Company all of which was recorded in the consolidated statement of comprehensive loss.

(ii) Rent expense of $36,000 (December 31, 2021 - $36,000) was charged by corporations, which are owned and controlled by a party who is also a significant shareholder of the Company, and were all recorded as general and administrative costs.

(iii) Included in accounts payable at December 31, 2022 was $2,166,417 owing to officers and directors of the Company and to corporations which are owned and controlled by a party who is a significant shareholder of the Company (December 31, 2021 - $1,674,087).

Key management compensation

During the period ended December 31, 2022, $449,304 (December 31, 2021 - $390,205) in management compensation was incurred, of which $449,304 (2021 - $289,471) was recognized in the consolidated statements of comprehensive loss and $nil (2021 - $100,734) was capitalized to property and equipment in the consolidated statements of financial position.

Corporate Cease Trade Orders

Other than as set forth below, no director or proposed director of the Corporation is, or has been within the past ten years, a director or officer of any other company that, while such person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days;

(ii) was subject to an event that resulted, after that individual ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days; or

(iv) within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On May 5, 2016, the Alberta Securities Commission issued a cease trade order against the Corporation as a result of the Corporation's failure to file its annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the year ended December 31, 2015 (the "**2015 Unfiled Documents**"). The Corporation was also the subject of cease trade orders issued by the Ontario Securities Commission on May 10, 2016 and the British Columbia Securities Commission on May 12, 2016 for failure to file its 2015 Unfilled Documents. On May 6, 2016 the TSXV suspended trading in the Corporation’s securities as a result of the cease trade order issued by the Alberta Securities Commission. The 2015 Unfiled Documents were ultimately filed on August 2, 2016. The cease trade order was revoked by the Alberta Securities Commission on April 20, 2017 (and was automatically revoked in the other jurisdictions). All of the proposed directors of the Corporation were directors at the time such cease trade orders were issued.

On May 8, 2017, the Alberta Securities Commission issued a cease trade order against the Corporation as a result of the Corporation's failure to file its annual audited financial statements, annual management's discussion and analysis, and certification of annual filings for the year ended December 31, 2016 (the "**2016 Unfiled Documents**").

On May 25, 2017, further to the TSX Venture Exchange bulletin dated May 5, 2016, the cease trade orders issued by the Alberta Securities Commission dated May 5, 2016, and May 8, 2017, were revoked. At the opening, Friday, May 26, 2017, trading was reinstated in the securities of the company.

On May 3, 2022, the Alberta Securities Commission issued a management cease trade order against the management of the Corporation in connection with the proposed delayed filing of its annual financial statements for the year ended December 31, 2022.

On May 3, 2022, the Alberta Securities Commission issued a management cease trade order against the management of the Corporation in connection with the proposed delayed filing of its annual financial statements for the year ended December 31, 2021.

On May 18, 2022, the Corporation applied to the Alberta Securities Commission requesting a management cease trade order against the management of the Corporation in connection with the proposed delayed filings of its Q1 financial statements for the quarter ended March 31, 2022.

In 2010, Budget Waste Inc. filed for CCAA proceedings. Kendall Dilling was a director of Budget Waste Inc at that time. Mr. Dilling currently serves as a director of Nexera.

COMMITMENTS AND CONTINGENCIES

a) The Company raised capital through the issuance of flow-through shares in 2009, 2010 and 2011 which provided indemnity to the subscriber for additional taxes payable if the Company was unable to, or failed to, renounce the qualifying expenditures as agreed. The Company was not able to spend $824,338 of the flow-through funds raised. The Company is exposed to costs for the indemnification of the subscribers. The Company has estimated a potential liability in the amount of $291,628 at December 31, 2022 (December 31, 2021 - $291,628). The accrued amount is subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreement, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company.

b) During the year ended December 31, 2015, the Company settled a contingent liability totaling $145,512 with a third party who performed oil field services for the Company. The obligation is secured by a take in kind revenue arrangement from one of its gas wells to and in favor of the third party in case of default. The settlement was fair valued at $107,912 using Level II valuation techniques with a discount rate of 25%. The Company was required to make 35 monthly payments of $4,300 starting July 1, 2015 to May 1, 2018 and final installment of $3,800 to be paid on June 1, 2018. As of December 31, 2022 and 2021, the Company has not made payment in line with the agreed repayment schedule. Accordingly, the remaining balance of $103,496 (2021 - $103,496) is now considered as due on demand and is included in other liabilities. Given the Company's failure to settle the obligation pursuant to the agreed upon terms with the third party, additional interest and collection charges may be awarded by the courts if pursued.

c) A former supplier to the Company submitted a claim against Nexera for USD$78,474 (CAD$98,446). The supplier is seeking compensation for breach of a written agreement for well pumping equipment and services on a well situated in Guadalupe County, Texas in September of 2014. During 2017, the Company made a counter claim against the supplier asserting no liability based upon defective equipment having been leased by the Plaintiff. As at December 31, 2022 and 2021, no provision has been recognized in accordance with IAS 37 as there is no probable outflow of resources and no reliable estimate of an obligation can be made.

d) The Company is subject to other claims from third parties aggregating USD $16,693 (CAD$22,611). The Company has filed a statement of defense related to these matters. As at December 31, 2022 and 2021, no provision has been recognized in accordance with IAS 37 as there is no probable outflow of resources and no reliable estimate of an obligation can be made.

FINANCIAL RISK MANAGEMENT

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management 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.

a) Fair values

The Company’s financial instruments consist of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities, shareholder indemnity, note payable, the short-term loan, credit facility, other liabilities, royalty obligation, and demand loan.

Financial instrument	Classification	Carrying value $	Fair value $
Cash	Amortized cost	475,928	475,928
Short-term investments	Amortized cost	355,643	355,643
Trade and other receivables	Amortized cost	356,459	356,459
Accounts payable and accrued liabilities	Amortized cost	10,972,292	10,972,292
Shareholder indemnity	Amortized cost	291,628	291,628
Demand loan	Amortized cost	57,010	57,010
Credit facility	Amortized cost	4,277,107	4,277,107
Note payable	Amortized cost	5,785,406	5,785,406
Other liabilities	Amortized cost	103,496	103,496
Lease liability	Amortized cost	14,863	14,863
Royalty obligation	Amortized cost	200,209	200,209

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level III valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

At December 31, 2022 and 2021, the current financial assets and liabilities approximate their fair value due to their current nature.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from joint interest partners and oil and natural gas marketers.

Virtually all of the Company’s trade and other receivables are from companies in the oil and gas industry and are subject to normal industry credit risks. Credit risks arise principally from the amounts owing to the Company from oil and natural gas marketers and joint interest partners. Management does not believe that any significant concentration of trade and other receivables exists that will result in any loss to the Company based on clients’ past history of default and forward looking estimates. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company’s policy to mitigate credit risk associated with these balances is to establish relationships with large marketers. However, the receivables are from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations and escalating costs. The Company does not typically obtain collateral from oil and natural gas marketers or others in the event of non-payment.

At December 31, 2022, the Company's trade and other receivables have been aged as follows:

Days outstanding	**December 31, 2022** **$**	December 31, 2020 $
0-30 days	**209,535**	140,153
31-60 days	**9,900**	119,726
61-90 days	**4,289**	37,046
Greater than 90 days	**132,735**	392,502
Total	**356,459**	689,427

Cash consists of cash bank balances held in both interest and non-interest bearing accounts. The Company manages credit exposure of cash by selecting financial institutions with high credit ratings.

Amounts outstanding for more than 90 days are considered past due. During the year ended December 31, 2022, the Company recognized an impairment charge of $526,013 of trade and other receivables (December 31, 2021 – $16,297). As at December 31, 2022, a provision for doubtful accounts of $741,639 (December 31, 2021 - $203,779) has been recorded against the greater than 90-day receivables.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2022, the Company's maximum exposure to liquidity risk is the total current liabilities of $21,501,802 (December 31, 2021 - $19,312,360).

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity through operations, debt financing, or raising equity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue.

d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's loss or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing returns.

(i) 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 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. All of the Company's oil and gas production is sold at spot rates exposing the Company to the risk of price movements.

(ii) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in United States dollars. The Company does not hedge its exposure to fluctuations in the exchange rate. Future changes in exchange rates could have a material effect on the Company's business including its intended capital plans, its financial condition and results of operations.

Certain financial instruments of the Company are exposed to fluctuations in the United States dollar, including cash, trade and other receivables and accounts payable and accrued liabilities. As at December 31, 2022, an increase or decrease of 10% to the foreign exchange rate between the United States dollar and the Canadian dollar applied to the average level of United States denominated cash would have had approximately a $42,300 (December 31, 2021 - $30,000) impact on the Company's comprehensive loss for the period.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2022, the majority of the Company's debt, including the short-term loan, the demand loan and the note payable, bears fixed interest rates and accordingly, are not subject to market interest rate fluctuations. The credit facility is at a floating interest rate and is therefore subject to market interest rate fluctuations.

The Company has no interest rate swaps or financial contracts in place as at or during the period ended December 31, 2022 or December 31, 2021.

d) Capital management

The Company's capital consists of shareholders' deficiency, the credit facility, the note payable, the loan, the convertible debt and working capital. The Company will adjust its capital structure to manage its current and future debt, drilling programs and potential corporate acquisitions through the issuance of shares, sourcing additional debt financing and adjustments to capital spending. The Company's objective for managing capital is to maximize long-term shareholder value by ensuring adequate capital to achieve the Company's objectives. The Company is not subject to any external capital requirements.

Management reviews its capital management approach on an ongoing basis and believes its current approach is reasonable. There has been no change in management's approach to capital management during the year.

SEGMENTED INFORMATION

The Company's primary operations are limited to a single industry being the acquisition, exploration for and development of petroleum and natural gas.

Product segmentation is as follows:

Revenue	Oil	Natural Gas	NGL's	Total
December 31, 2022 ($)	1,764,230	199,765	10,740	1,974,735
December 31, 2021($)	1,220,518	124,426	8,256	1,353,200

Geographical segmentation is as follows:

	December 31, 2022 ($)		
	Canada	United States	Total
Petroleum and natural gas sales	222,844	1,751,891	1,974,735
Depletion, depreciation and impairment	17,213	283,879	301,092
Net loss	(972,740)	(1,351,729)	(2,324,469)
Property and equipment	2,418	2,640,840	2,643,258
Total liabilities	11,595,156	9,906,646	21,501,802

	December 31, 2021 ($)		
	Canada	United States	Total
Petroleum and natural gas sales	144,048	1,209,152	1,353,200
Depletion, depreciation and impairment	13,425	1,761,123	1,774,548
Net loss	(863,129)	(3,477,924)	(3,891,098)
Property and equipment	34,274	3,635,835	3,670,109
Total liabilities	10,778,484	13,132,489	23,910,973

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the date hereof, the Company's issued share capital and the outstanding securities that are convertible into or exercisable or exchangeable for any voting or equity securities of the Company is as follows:

	May 30, 2023	December 31, 2022
Common Shares	**62,434,122**	**62,434,122**
Warrants	Nil	Nil
Stock Options	Nil	Nil

Share capital

a) Authorized

Unlimited number of common shares with voting rights
Unlimited number of preferred shares, issuable in series

b) Issued

	Number of Common Shares	Amount $
Balance, December 31, 2020	**45,311,492**	**15,614,861**
Private placement (i)	13,333,330	800,000
Value of warrants pursuant to private placement (i)	-	(352,265)
Share issue costs (i)	-	(23,050)

Expiry of warrants	-	765,898
Shares issued for acquisition (ii)	3,789,300	378,930
Balance, December 31, 2021	**62,434,122**	**17,184,374**
Expiry of warrants	-	352,265
Balance, December 31, 2022	**62,434,122**	**17,536,639**

(i) On March 1, 2021, the Company completed a private placement (the "Private Placement"), issuing 13,333,330 units (the "Unit"). Each Unit was issued at $0.06 for total proceeds of $800,000 and consists of one common share of the Company and one share purchase warrant (the "Warrant"). Each Warrant entitled the holder to purchase one additional common share of the Company at $0.10 per share, exercisable for 1 year from the original issue date. The Company allocated $352,265 of the unit value to warrants (note 10(c)). Pursuant to the Private Placement, the Company incurred $23,050 in cash share issue costs, which was allocated to the shares.

(ii) On May 12, 2021 the Company issued 3,789,300 shares at $0.10 for total price of $378,930 to purchase 25% share of Production Resources Inc. ("PRI") and settle the debt owed to the seller. The Company is to pay $100,000 US dollars in installments to complete the deal. This amount is included in accounts payable (note 3).

c) Warrants

Warrants to acquire common shares outstanding at December 31, 2022 are as follows:

	Number of warrants issued and exercisable	**Amount $**	**Weighted average exercise price $**	**Weighted average Remaining life (years)**
Balance, December 31, 2020	**21,704,600**	**765,898**	**0.05**	**1.0**
Share purchase warrant issued (note 10(b)	13,333,330	352,265	0.10	0.16
Expiry of share purchase warrants	(21,704,600)	(765,898)	(0.05)	-
Balance, December 31, 2021	**13,333,330**	**352,265**	**0.10**	**0.16**
Expiry of share purchase warrants	(13,333,330)	(352,265)	(0.10)	-
Balance, December 31, 2022	**-**	**-**	**-**	**-**

The fair value of the share purchase warrants granted during the year are estimated at the grant date using the Black-Scholes option pricing model and have been credited to warrants within shareholders' deficiency. A weighted average of the assumptions used in the calculation is noted below:

	2021
Risk-free rate	**0.25%**
Expected life	**1 year**
Expected volatility	**192%**
Fair value per warrant	**$0.026**

Volatility was determined based on the Company's historical share prices.

d) Stock options

The Company established a share option plan (the "Plan") for the benefit of officers, directors, employees and consultants of the Company. Under the Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the Plan cannot exceed 10% of the total number of issued and outstanding shares of the Company. The term, the vesting period and the exercise price are determined at the discretion of the Board of Directors. However, the maximum option term shall not exceed five years.

The following table summarizes information about the Company's stock options outstanding at December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Number of options	**Weighted average exercise price $**	Number of options	Weighted average exercise price $
Stock options, beginning of year	-	-	-	-
Expired	-	-	-	-
Stock options outstanding, end of year	-	-	-	-

As at December 31, 2022, all stock options have expired.

During the year ended December 31, 2022 and 2011, the Company did not recognize any share-based payment expense.

e) Per share data

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share. Under this method, it is assumed that proceeds from the exercise of dilutive securities are used by the Company to repurchase Company shares at the average price during the year.

All warrants, finder's options and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive due to the loss position of the Company.

SUBSEQUENT EVENTS

On March 20, 2023 the Company announced that the Company's sole private lender ("Lender"), signed a letter of intent whereby all outstanding loans, totaling $13,961,222, will be converted to a sliding scale gross overriding royalty ("GORR"). Additionally, the GORR will be capped at a maximum of $10,000,000. The GORR will be commodity price sensitive and paid out over time on the gross proceeds from the Company's oil and gas revenue. Final terms of the GORR structure will be released upon execution of the definitive agreement.

On April 20, 2023, the Company reported that it has closed its previously announced non-brokered private placement. Pursuant to this closing, an aggregate $1,000,000 of convertible unsecured debentures (the "**Debentures**") of the Company (the "**Offering**") were issued (of which $300,000 was acquired by a director of the Company). In addition to the Debentures, an aggregate 0.70% of royalty interests ("**Royalty Interests**") of the Company were also issued (0.01% Royalty Interest for every $10,000 subscribed for under the Offering by non-insiders).