Nexera Energy Inc.

Consolidated Financial Statements

Fifteen month period ended March 31, 2024
and year ended December 31, 2022

(expressed in Canadian dollars)

Crowe

Crowe MacKay LLP
Elveden House 1700,
717 - 7 Avenue SW
Calgary, AB T2P 0Z3
Main +1(403) 294-9292
Fax +1(403) 294-9262
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of Nexera Energy Inc

Opinion

We have audited the consolidated financial statements of Nexera Energy Inc (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2024 and December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the fifteen month period ended March 31, 2024 and the year ended December 31, 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the fifteen month period ended March 31, 2024 and the year ended December 31, 2022 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the period ended March 31, 2024. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverable amount of cash generating units
We draw attention to Notes 2, 3 and 6 to the consolidated financial statements. The Group assesses at each reporting date whether there is an indication that oil and natural gas interests within the cash generating units ("CGUs") may be impaired or that historical impairment may be reversed. If any such indication exists, then the asset's or CGUs recoverable amount is estimated. For the fifteen month period ended March 31, 2024, the Group determined that the estimated recoverable amounts of the Company's three CGUs were less than the carrying values and recognized impairment of $87,909, $481,447 and $565,267, respectively, resulting in an aggregate impairment charge of $1,134,623.

The estimated recoverable amount of each of the CGUs involves significant estimates, including:

- The estimate of cash flows associated with the proved and probable oil and gas reserves; and
- The discount rates.

The estimate of cash flows associated with the proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate.

The Group engaged an independent third party reserve evaluator to estimate the cash flows associated with the proved and probable oil and gas reserves as at March 31, 2024.

Why the matter was determined to be a key audit matter
We identified the assessment of the recoverable amount of the CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of cash flows associated with the proved and probable oil and gas reserves and the discount rates.

How the matter was addressed in our audit
The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of cash flows associated with the proved and probable oil and gas reserves as at March 31, 2024:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Group;

- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators;

- We compared the 2024 actual production, operating costs, royalty costs and development costs of the Group to those estimates used in the prior year's estimate of cash flows associated with the proved oil and gas reserves to assess the Group's ability to accurately forecast; and

- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2024 historical results. We took into account changes in conditions and events affecting the Group to assess the adjustments or lack of adjustments made by the Group in arriving at the assumptions.

Provisions for decommissioning obligations
We draw attention to Notes 2, 3 and 7 to the consolidated financial statements. The Group makes a provision for the future cost of decommissioning oil and gas wells and production facilities discounted back to present value. The calculation and recognition of the provision in the consolidated financial statements requires a number of significant assumptions, including the selection of an appropriate discount rate and estimation of the costs and timing of decommissioning oil and gas wells and facilities.

Why the matter was determined to be a key audit matter
We identified provisions for the future cost of decommissioning oil and gas wells and facilities as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of the cost and timing associated with the decommissioning of oil and gas wells and facilities and the discount rates used in the calculation.

How the matter was addressed in our audit
In responding to the key audit matter, we performed the following audit procedures:

- Identified the key assumptions and inputs used within management's calculation of decommissioning liabilities and assessed them against internal, industry, regulatory and other third party data in order to determine whether the assumptions used are reasonable and can be sufficiently supported; and

- Benchmarked the discount rate used in the calculation of decommissioning liabilities against comparable market data and assessed the appropriateness of the use of these rates.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

Calgary, Canada
October 11, 2024

Crowe MacKay LLP
Chartered Professional Accountants

NEXERA ENERGY INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian Dollars)	**As at March 31, 2024 $**	As at December 31, 2022 $
Assets		
Current assets		
Cash	**21,757**	475,928
Short-term investments	**355,248**	355,643
Trade and other receivables (notes 14(a) and 18(b))	**227,835**	356,459
Prepaid expenses and deposits	**1,709**	2,209
Total current assets	**606,549**	1,190,239
Non-current assets		
Property and equipment (note 6)	**2,947,149**	2,643,258
Total assets	**3,553,698**	3,833,497
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**12,216,429**	10,972,292
Shareholder indemnity (note 16(a))	**291,628**	291,628
Demand loan (note 8)	**62,010**	57,010
Credit facility (note 9(b))	**4,278,847**	4,277,107
Note payable (note 9(a))	**5,785,406**	5,785,406
Other liabilities (note 16(b))	**103,496**	103,496
Lease liability – short-term (note 15)	**12,653**	14,863
Total current liabilities	**22,750,469**	21,501,802
Non-current liabilities		
Lease liability (note 15)	**39,314**	-
Decommissioning obligations (note 7)	**5,651,702**	3,829,742
Royalty obligation	**197,298**	200,209
Convertible debentures (note 10)	**340,348**	-
Total liabilities	**28,979,131**	25,531,753
Shareholders' deficiency		
Share capital (note 12(b))	**18,025,938**	17,536,639
Equity component of convertible debenture (note 10)	**50,869**	-
Warrants (note 12(c))	**110,623**	-
Contributed surplus (note 12(f))	**2,646,332**	2,441,269
Share purchase loan (note 14(a))	**(247,970)**	(247,970)
Deficiency	**(46,263,983)**	(41,631,187)
Accumulated other comprehensive income	**252,758**	202,993
Total shareholders' deficiency	**(25,425,433)**	(21,698,256)
Total liabilities and shareholders' deficiency	**3,553,698**	3,833,497

Reporting entity and going concern (note 1)
Subsequent event (note 20)

Approved on behalf of the Board of Directors

Signed "Shelby D. Beattie" — Director

Signed "Kendall Dilling" — Director

The notes are an integral part of these consolidated financial statements.

NEXERA ENERGY INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian Dollars)	**Fifteen month period ended March 31, 2024 $**	Year ended December 31, 2022 $
Revenue		
Petroleum and natural gas (note 19)	**1,756,521**	1,974,735
Other	**18,068**	182,500
Royalties	**(448,103)**	(470,812)
	1,326,486	1,686,423
Operating expenses		
Production and operating expenses	**671,611**	900,073
Depletion and depreciation (note 6)	**312,297**	301,092
Impairment of property and equipment (note 6)	**1,134,623**	-
General and administrative (note 14(b))	**2,207,891**	1,600,655
Bad debt (note 18(b))	**330,197**	526,013
Foreign exchange	**231**	26,086
Gain on participation agreement	**(726,222)**	(304,548)
Loss (gain) on disposition of property and equipment	**105,768**	(100,672)
	4,036,396	2,948,699
Results from operating activities	**(2,709,910)**	(1,262,276)
Finance expense (note 11)	**(1,922,886)**	(1,062,193)
Net loss	**(4,632,796)**	(2,324,469)
Other comprehensive income (loss)		
Foreign currency translation adjustment	**49,765**	(589,420)
Comprehensive loss	**(4,583,031)**	(2,913,889)
Basic and fully diluted loss per share (note 12(e))	**$ (0.07)**	$ (0.05)
Weighted average number of common shares outstanding	**68,113,069**	62,434,122

NEXERA ENERGY INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(expressed in Canadian Dollars)	Share Capital ($)	Warrants ($)	Contributed Surplus ($)	Share purchase loan ($)	Deficiency ($)	Equity Component of Convertible Debentures ($)	Accumulated other comprehensive income (loss) ($)	Total deficiency ($)
Balance - December 31, 2021	**17,184,374**	**352,265**	**2,441,269**	**(247,970)**	**(39,306,718)**	**-**	**792,413**	**(18,784,367)**
Reallocation on expiry of warrants	352,265	(352,265)	-	-	-	-	-	-
Net loss	-	-	-	-	(2,324,469)	-	-	(2,324,469)
Foreign exchange translation adjustment	-	-	-	-	-	-	(589,420)	(589,420)
Balance - December 31, 2022	**17,536,639**	**-**	**2,441,269**	**(247,970)**	**(41,631,187)**	**-**	**202,993**	**(21,698,256)**
Issuance of convertible debentures	-	-	-	-	-	134,754	-	134,754
Capital contribution on disposition of assets	-	-	205,063	-	-	-	-	205,063
Issue of shares on conversion of debentures, net of issue costs	599,922	-	-	-	-	(83,885)	-	516,037
Warrants issued on conversion of debentures	(110,623)	110,623	-	-	-	-	-	-
Net loss	-	-	-	-	(4,632,796)	-	-	(4,632,796)
Foreign exchange translation adjustment	-	-	-	-	-	-	49,765	49,765
Balance - March 31, 2024	**18,025,938**	**110,623**	**2,646,332**	**(247,970)**	**(46,263,983)**	**50,869**	**252,758**	**(25,425,433)**

The notes are an integral part of these consolidated financial statements.

NEXERA ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian Dollars)	**Fifteen month period ended March 31, 2024 $**	**Year ended December 31, 2022 $**
Cash (used in) provided by:		
Operating activities		
Net loss for the period	**(4,632,796)**	(2,324,469)
Adjustments for:		
Bad debt expense	**330,197**	526,013
Depletion and depreciation	**312,297**	301,092
Impairment of property and equipment	**1,134,623**	-
Accretion of decommissioning obligation	**166,209**	102,065
Accretion of convertible debenture	**13,717**	-
Interest on lease liability	**6,807**	7,910
Modification to lease liability	**-**	(13,853)
Gain on participation agreement	**(726,222)**	(304,548)
Loss (gain) on disposition of property and equipment	**105,768**	(100,672)
Unrealized foreign exchange (gain) loss	**54,283**	(157,876)
	(3,235,117)	(1,964,338)
Change in trade and other receivables	**(329,480)**	(193,045)
Change in prepaid expenses and deposits	**500**	102,578
Change in accounts payable and accrued liabilities	**2,790,441**	2,223,938
Change in short-term investments	**636**	(816)
	(773,020)	168,317
Investing activities		
Property and equipment expenditures	**(293,020)**	(158,386)
ROU asset expenditures	**(1,000)**	-
Proceeds on disposition of property and equipment	**369,540**	164,763
	75,520	6,377
Financing activities		
Proceed from (repayment of) demand loan	**5,000**	(5,000)
Lease liability payments	**(26,593)**	(18,425)
Proceeds from issuance of convertible debentures, net of issue costs	**264,922**	-
	243,329	(23,425)
Increase (decrease) in cash	**(454,171)**	151,269
Cash, beginning of period	**475,928**	324,659
Cash, end of period	**21,757**	475,928

Supplemental cash flow information (note 17)

1. Reporting entity and 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 #11411 – 54th Street South East, Calgary, Alberta, Canada T2C 5R9. On February 13, 2024, the Company announced a change in year end from December 31, 2023 to March 31, 2024. The Company's transition year is the 15-month period ending March 31, 2024 and the new financial year will be the 12-month period ending March 31, 2025.

As at March 31, 2024, the Company had not yet achieved profitable operations, had an accumulated deficit of $46,263,983 (December 31, 2022 - $41,631,187), a working capital deficiency of $22,143,920 (December 31, 2022 – 20,311,563) 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 through additional debt or equity financings and generating profitable operations in the future. Management is committed to raising additional capital to meet its exploration and operating obligations; however, future debt or equity financings are subject to the availability of funding from the capital markets and the continued support of certain shareholders. The ability of the Company to obtain financing on favorable terms, or at all, is further impacted by global events, volatility in the financial markets and other geopolitical and social challenges faced by junior petroleum and natural gas companies. All of these factors 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 adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses, and the statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material to the consolidated financial statements.

2. Basis of presentation

a) Statement of compliance:

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

The Board of Directors approved the consolidated financial statements on October 11, 2024.

2. Basis of presentation (continued)

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

c) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiaries: Emerald Bay Texas Inc. ("EBY"), Production Resources, Inc. ("PRI") and Cotulla Vacuum Services, Ltd ("CVS"). 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.

d) Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgements

Determination of cash-generating units ("CGU")

Property and equipment are aggregated into CGUs based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgement.

Indicators of impairment

At each reporting date, the Company assesses whether or not there are circumstances that indicate the carrying values of property and equipment are impaired. Such circumstances include

2. Basis of presentation (continued)

d) Use of estimates and judgements (continued):

Indicators of impairment (continued)

incidents of deterioration of commodity prices, changes in the regulatory environment, or a reduction on estimates of proved and probable reserves. When management judges that circumstances indicate impairment, property and equipment are tested by comparing the carrying values to their recoverable amounts. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, as well as future development and operating costs.

Functional currency determination

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21 – *The Effects of Changes in Foreign Exchange Rates,* and may involve certain judgements to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

Going concern

The financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgement to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

Business combinations

Management uses judgment to determine whether a transaction constitutes a business combination or asset acquisition based on the criteria in IFRS 3 – *Business Combinations*.

Significant estimates and assumptions

Reserve estimates

The estimate of reserves is used in forecasting the recoverability and economic viability of the Company's oil and gas properties, and in the depletion and impairment calculations. Reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Company's oil and gas properties. The Company's estimates its commercial reserves and

2. Basis of presentation (continued)

d) Use of estimates and judgements (continued):

Significant estimates and assumptions (continued)

Reserve estimates (continued)

resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves.

Decommissioning obligations

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. Amounts recorded for the decommissioning obligations and related accretion expense require estimates regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and discount rates to determine the present value of these cash flows.

Shareholder indemnity

The accounting policy for the shareholder indemnity liability is described in note 16(a). The application of this policy requires management to make certain estimates and assumptions as 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.

Recoverability of assets

The Company assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell ("FVLCTS") and its value in use. The Company used the calculation of FVLCTS to determine the fair value of its CGUs. In determining the FVLCTS, the amount is most sensitive to the future commodity prices, discount rates, and estimates of proved and probable reserves.

3. Material accounting policies

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

Property and equipment

Recognition and measurement:

(i) Property and equipment – oil and gas interests

All costs directly associated with the development of oil and gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proven property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proven plus probable reserves incorporating estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proven reserves. Costs of major development projects are excluded from the costs subject to depletion unless they are available for use.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within “operating expenses” in consolidated statement of loss and comprehensive loss.

(ii) Property and equipment – corporate and other:

Property and equipment – corporate and other is carried at cost and amortized over the estimated useful lives of the assets at various rates per annum calculated on a declining balance basis. Amortization is charged at half rates in the year of acquisition.

The Company uses the following rates:

Asset class	Rate
Furniture and equipment and leasehold improvements	20%
Computer Hardware	30%
Automotive	30%

3. Material accounting policies (continued)

Property and equipment (continued)

Subsequent costs – oil and gas interests:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statement of comprehensive loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Financial assets and liabilities

All financial assets are initially measured at fair value. Financial assets are subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets, and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, except if the Company changes its business model for managing financial assets.

A financial asset is subsequently measured at amortized cost if it meets both of the following conditions:

(i). The asset is held within a business model whose objective is to hold assets 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.

Financial assets that meet condition (ii) above that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets is subsequently measured at fair value through other comprehensive income ("FVOCI"). All other financial assets are subsequently measured at their fair values, with changes in fair value recognized in profit or loss ("FVTPL").

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial

3. Material accounting policies (continued)

Financial assets and liabilities (continued)

liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in profit or loss.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in profit or loss.

The Company has classified its financial assets and liabilities as follows:

Financial Assets and Liabilities	IFRS 9
Cash	Amortized cost
Trade and other receivables	Amortized cost
Short term investments	Amortized cost
Share purchase loan	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Royalty obligation	Amortized cost
Demand loan	Amortized cost
Credit facility	Amortized cost
Note payable	Amortized cost
Other liabilities	Amortized cost
Convertible debentures	Amortized cost
Shareholder indemnity	Amortized cost
Lease liability	Amortized cost

3. Material accounting policies (continued)

Impairment

Financial assets:

At each reporting date, the Company assesses the expected credit losses ("ECL") associated with its financial assets to determine the ECL allowances.

For accounts receivable, the Company applies the simplified approach in IFRS 9, which requires the life time ECL allowances to be recognized at the initial recognition of the receivables. The ECL for financial assets are based on the assumptions about risk of default and expected credit losses. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Company has evaluated and grouped its oil and natural gas interests into three separate CGUs taking into account the geographical location, well and production characteristics and manner in which the assets are managed.

The recoverable amount of an asset or a CGU is the greater of its value in use and its FVLCTS. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCTS is based on available market information, where applicable. In the absence of such information, FVLCTS is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss in the period in which such impairment has occurred.

Share-based payments

The Company issues stock options to directors, officers and other consultants, which are deemed employees. The fair value of options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, using a graded vesting model. The fair value is recognized as an expense with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

3. Material accounting policies (continued)

Share-based payments (continued)

The fair value of warrants issued as part of private placements is measured at the closing date of the private placement using the Black-Scholes option pricing model. The fair value is recognized as a deduction against share capital with a corresponding increase in warrant reserve.

If and when the stock options and/or warrants are ultimately exercised, the applicable amounts are transferred to share capital. The fair value of expired stock options remains in contributed surplus while the fair value of expired warrants are transferred to share capital.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the reporting period date. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was established.

Revenue

Revenue from the sale of crude oil, natural gas, and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often through pipelines or other transportation methods.

3. Material accounting policies (continued)

Revenue (continued)

Applying the five step model required by IFRS 15 – *Revenue from Contracts with Customers*, revenue is recognized as follows for these contracts:

Step in Model	Oil and Gas Sales
Identify the contract	The contractual arrangement executed with the customers, specifying the quantity and market price.
Identify distinct performance obligations	Single performance obligation to provide crude oil and natural gas to the customers.
Estimate transaction price	Transaction price is based on current commodity market prices.
Allocate the transaction price to performance obligations	Total revenue is allocated to the single performance obligation.
Recognize revenue as performance obligations are satisfied	Revenue to be recognized at a point in time once control passes to the customers (i.e when product is delivered).

The Company evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by the Company having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by the Company from the transaction.

Gathering fees charged to other entities for use of facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Gathering fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

From time to time, the Company performs wellsite operator and supervisory contract work and recognizes these other revenues as the services are provided and billed to the customer.

Convertible debentures

Convertible debentures are a non-derivative financial instrument that create a financial liability of the Company and grant an option to the holders of the instrument to convert it into common shares of the Company. The liability component of the debentures is initially recorded at fair value of a similar liability that does not have a conversion option. The equity component is

3. Material accounting policies (continued)

Convertible debentures (continued)

recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to the initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest rate method and is accreted each reporting period such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. If any of the liability component is converted into common shares, a portion of the conversion feature included in equity and the liability component converted will be reclassified to common shares upon issuance.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees.

Currency translation

Functional and presentation currency

The functional currency for each entity is the currency of the primary economic environment in which it operates. The functional currency for the Company's United States subsidiaries is the United States dollar. The functional currency for the Canadian parent is the Canadian dollar. These consolidated financial statements are presented in Canadian dollars. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into Canadian dollars, the presentation currency, as follows:

- Assets and liabilities are translated at the closing exchange rate at the date of the consolidated statement of financial position;
- Income and expenses are translated at the average exchange rates during the period; and
- All resulting exchange differences are charged/credited to the currency translation adjustment in Other Comprehensive Income (Loss).

3. Material accounting policies (continued)

Currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in profit or loss.

Joint operations

Many of the Company's oil and natural gas activities involve joint operations. A joint operation is a type of arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the joint operation. The consolidated financial statements include the Company's share of these joint operations and a proportionate share of the relevant revenue and related costs.

Leases

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Leases are recognized as a Right-of Use ("ROU") asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

3. Material accounting policies (continued)

Leases (continued)

The ROU asset is initially measured at cost and is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in profit or loss on a straight-line basis over the lease term. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will re-measure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in profit or loss that reflects the proportionate decrease in scope.

ROU assets are assessed for impairment on initial recognition and subsequently on an annual basis, at a minimum. ROU assets subject to leases that have become onerous in nature are adjusted by the amount of any provision for onerous leases.

During the fifteen month period ended March 31, 2024, the Company expensed $48,000 (December 31, 2022 - $36,000) for short-term leases including operating costs.

New and amended IFRS Accounting Standards and pronouncements

On January 1, 2023, the Company adopted Disclosure of Accounting Policies, which made amendments to IAS 1 Presentation of Financial Statements. The amendments require that an entity is now required to disclose material accounting policy information instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. There was no material impact to the Company's Consolidated Financial Statements upon adoption.

3. Material accounting policies (continued)

New and amended IFRS Accounting Standards and pronouncements (continued)

On January 1, 2023, the Company adopted Definition of Accounting Estimates, which made amendments to IAS 1 Presentation of Financial Statements. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, as well as the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. There was no material impact to the Company's Consolidated Financial Statements upon adoption.

On January 1, 2023, the Company adopted the amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. There was no material impact to the Company's Consolidated Financial Statements upon adoption.

Future accounting pronouncements

The Company will adopt the following amendments that are effective for annual periods beginning on or after January 1, 2024. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the Company's Consolidated Financial Statements.

Amendments to IAS 1 - *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

3. Material accounting policies (continued)

Future accounting pronouncements (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
3. Enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will assess the impact upon adoption.

4. Determination of fair values in specific circumstances

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property and equipment impairment test:

The fair value of oil and natural gas interests is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports.

Share-based payments, warrants and finder's options:

The fair value of employee stock options, warrants and finder's options are measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

4. Determination of fair values in specific circumstances (continued)

Business combinations

In a business combination, management makes estimates of the fair value of the assets acquired and liabilities assumed which includes assessing the value of petroleum and natural gas interests based upon the estimation of recoverable quantities of proved and probable reserves acquired, forecast benchmark commodity prices and discount rates. Amounts recorded for decommissioning liabilities assumed also require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future discount and inflation rates. These estimates impact the potential for recognizing goodwill or a bargain purchase gain, future depletion and impairment.

5. Business combination

During the fifteen month period ended March 31, 2024, EBY acquired the remaining 75% working interest in certain wells from an arm's-length third-party. The fair value of the assets acquired and liabilities assumed on the date of acquisition are as follows:

Net Assets acquired:	
Assets acquired:	
Property and equipment	$ 186,623
Liabilities assumed:	
Decommissioning obligations	$ (166,298)
Net assets acquired	$ 20,325
Consideration paid:	
Net trade receivables and accounts payables settled	$ 20,325

The value of the net assets acquired was equal to the consideration paid and therefore no goodwill or bargain purchase gain was recognized in these consolidated financial statements.

The estimated fair value of the oil and natural gas assets acquired was made by management based on available information at the time of the closing of the acquisition. The fair value of the provision for decommissioning liabilities was determined using estimates of

(expressed in Canadian dollars)

5. Business combination (continued)

the timing and future costs associated with plugging, abandonment and site remediation costs of the petroleum and natural gas assets acquired, discounted at a risk-free rate in accordance with IFRS 3 - Business Combinations and IFRS 13 - Fair Value Measurement.

The Company cannot reasonably estimate the contribution of the additional working interest acquisition to revenues and net income for the period from the acquisition date nor the annual impact had the acquisition occurred on January 1, 2023. As such, disclosure has not been provided which represents a departure from IFRS.

6. Property and equipment

	Oil and natural gas interests $	Right of use assets $	Corporate and other $	Total $
Cost, December 31, 2021	**14,114,582**	**48,310**	**983,217**	**15,146,109**
Additions, net	31,663	-	62,632	94,295
Revisions to decommissioning obligations	(943,517)	-	-	(943,517)
Foreign currency translation	1,130,853	-	(11,128)	1,119,724
Cost, December 31, 2022	**14,333,581**	**48,310**	**1,034,721**	**15,416,612**
Accumulated depletion, depreciation and impairment, December 31, 2021	(10,917,678)	(16,490)	(541,832)	(11,476,000)
Depreciation and depletion for the year	(170,099)	(16,665)	(114,328)	(301,092)
Foreign currency translation	(941,955)	-	(54,307)	(996,262)
Accumulated depletion, depreciation and impairment, December 31, 2022	**(12,029,732)**	**(33,155)**	**(710,467)**	**(12,773,354)**
Carrying value, December 31, 2022	**2,303,849**	**15,155**	**324,254**	**2,643,258**

(expressed in Canadian dollars)

6. Property and equipment (continued)

	Oil and natural gas interests $	Right of use assets $	Corporate and other $	Total $
Cost, December 31, 2022	**14,333,581**	**48,310**	**1,034,721**	**15,416,612**
Business combination (note 5)	186,623	-	-	186,623
Additions	267,196	57,890	25,824	350,910
Dispositions	(94,937)	(48,310)	(225,069)	(368,316)
Revisions to decommissioning obligations (note 7)	1,487,211	-	-	1,487,211
Foreign currency translation	6,205	-	507	6,712
Cost, March 31, 2024	**16,185,879**	**57,890**	**835,983**	**17,079,752**
Accumulated depletion, depreciation and impairment, December 31, 2022	(12,029,732)	(33,155)	(710,467)	(12,773,354)
Dispositions	-	48,310	49,761	98,071
Depreciation and depletion for the period	(240,264)	(19,979)	(52,054)	(312,297)
Impairment	(1,134,623)	-	-	(1,134,623)
Foreign currency translation	(11,258)	-	858	(10,400)
Accumulated depletion, depreciation and impairment, March 31, 2024	**(13,415,877)**	**(4,824)**	**(711,902)**	**(14,132,603)**
Carrying value, March 31,2024	**2,770,002**	**53,066**	**124,081**	**2,947,149**

The calculation of depletion expense includes future development costs of $nil (Year ended December 31, 2022 - $nil) for the fifteen month period ended March 31, 2024.

During the fifteen month period ended March 31, 2024, the Company disposed of a 50% interest in certain wells to two directors and shareholders for gross proceeds of $300,000. The carrying value of the working interests was $94,937, which resulted in $205,063 being recorded to contributed surplus as the transaction was determined to be with individual's acting in their capacity as shareholders (Note 12(f)).

Impairment

In light of volatility in oil benchmark prices during the periods, an impairment test was performed on the Company's CGUs as at March 31, 2024 and December 31, 2022 based on reserve values prepared by an independent reservoir engineer using a pre-tax discount rate of 12% (December 31, 2022 – 12%), forecast pricing and an inflation rate of 2% (December 31, 2022 – 2%). The recoverable amount of the CGU was based on FVLCS. The fair value was estimated based on a discounted cash flow approach and resulted in an impairment loss for the Company for the fifteen month period ended March 31, 2024 of $1,134,623 (Year ended December 31, 2022 – $nil).

(expressed in Canadian dollars)

6. Property and equipment (continued)

The following are key assumptions used in the impairment test:

(a) *Reserve volumes*. The estimation of remaining reserve volumes requires an analysis of geological and geophysical data, industry and competitor information and an assessment of historical well production volumes and characteristics.

(b) *Petroleum and natural gas prices*. Forward price estimates for petroleum and natural gas are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

(c) *Discount rate*. The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate cost of capital for potential acquirers of the Company or the Company's CGUs. Changes in the general economic environment could result in significant changes to this estimate.

The benchmark prices used in the reserves estimate as at March 31, 2024 are as follows:

	Crude oil (West Texas Intermediate) USD$/bbl
2024	71.88
2025	69.22
2026	68.43
2027	69.92
2028	71.43

Prices escalating at 2.0 percent annually thereafter.

The benchmark prices used in the reserves estimate as at December 31, 2022 are as follows:

	Crude oil (West Texas Intermediate) USD$/bbl
2023	71.36
2024	65.88
2025	63.92
2026	65.33
2027	66.74

Prices escalating at 2.0 percent annually thereafter.

(expressed in Canadian dollars)

7. Decommissioning obligations

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The Company has estimated the cost of the decommissioning obligations to be $5,651,702 as at March 31, 2024 (December 31, 2022 - $3,829,742). These payments are expected to be made over the next 2 to 15 years. The obligations have been calculated using an inflation rate of 2.00% (December 31, 2022 – 2.00%) and a discount factor, being the risk-free rate related to the liability, of 3.41% to 5.03% (December 31, 2022 – 3.2% to 4.73%).

	March 31, 2024	December 31, 2022
	$	$
Balance, beginning of period	**3,829,742**	4,382,686
Business combination (note 5)	166,298	-
Revisions (note 6)	1,487,211	(943,517)
Accretion	166,209	102,065
Foreign currency translation	2,242	288,508
Balance, end of period	**5,651,702**	3,829,742

8. 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") in the amount of $150,000, of which $75,000 was repaid in 2019. The Demand Loan is due on the demand of the Lender and bears interest of 8.00% per annum, compounded monthly. The principal balance outstanding at March 31, 2024 is $62,010 (December 31, 2022 - $57,010) and has accrued interest of $15,527 (December 31, 2022 - $6,328) included in accounts payable and accrued liabilities. The Demand Loan is secured by a personal guarantee and collateral mortgage from an officer of the Company. The Company may repay the Demand Loan in full at any time prior to demand without notice or penalty.

9. Note Payable and Credit facility

a) The Company entered into 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 bears interest at a rate equal to prime rate plus 1.5% per annum.

(expressed in Canadian dollars)

9. Note payable and Credit facility (continued)

a) The Note payable is payable upon demand by the Lender, and is secured by a general security agreement over the US domiciled assets of the Company and an assignment of certain oil and gas production revenues.

As at March 31, 2024 the total amount outstanding under the Loan is $5,785,406, (December 31, 2022 - $5,785,406), and during the fifteen month period ended March 31, 2024, the Company incurred interest expense of $833,002 (December 31, 2022 - $398,905). Total accrued interest included in accounts payable and accrued liabilities is $2,523,109 (December 31, 2022 - $1,690,107). As at March 31, 2024 and December 31, 2022, the Company was not in compliance with the requirement to make monthly payments of interest on the Note payable.

b) The credit facility is due to a significant shareholder of the Company. The credit facility may be drawn up to $4,600,000. As at March 31, 2024, the principal balance was $4,278,847 (December 31, 2022 - $4,277,107) and unpaid interest included in accounts payable and accrued liabilities is $3,360,459 (December 31, 2022 - $2,596,501). Interest of $759,796 (Year ended December 31, 2022 - $684,685) was expensed during the fifteen month period ended March 31, 2024. The credit facility bears interest at 9% per annum and repayment terms are at 35% of PRI gross revenues. The credit facility is secured by a Deed of Trust and financing statements. As at March 31, 2024 and December 31, 2022, the Company was not in compliance with repayment terms and as such, the credit facility has been classified as a current liability.

10. Convertible debentures

	Number of Convertible Debentures		Liability Component		Equity Component		Total
Balance, December 31, 2021 and 2022	-	$	-	$	-	$	-
Issuance	1,000		865,246		134,754		1,000,000
Accretion of debt discount	-		22,740		-		22,740
Conversion of debentures to common share units	(622.5)		(547,638)		(83,885)		(631,523)
Balance, March 31, 2024	**377.5**	**$**	**340,348**	**$**	**50,869**	**$**	**391,217**

On April 20, 2023, the Company issued 1,000 unsecured convertible debentures (the "Debentures") at a subscription price of $1,000 per Debenture, of which 300 Debentures ($300,000) were acquired by a director of the Company. The Company received $287,500 in cash and settled $712,500 of accounts payable and accrued liabilities on issuance of the Debentures.

10. Convertible debentures (continued)

The details of the Debentures are as follows: (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) the Debentures will bear interest at a rate of 10% per annum, accrued quarterly and paid annually in arrears; (iii) upon maturity or redemption of each Debenture, the Company will pay any outstanding principal and any accrued and unpaid interest in cash; (iv) each Debenture may be redeemed early by the Company, at its option; (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 Company ("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 Company. In addition, an aggregate 0.70% royalty interest of the Company was issued (0.01% Royalty Interest for every $10,000 subscribed for under the Offering by non-insiders). The royalty will be calculated and payable based on the annual gross production revenue from the first six (6) re-entry wells drilled on specific leases to still be acquired by the Company with the funds from the Offering.

Each Unit issued on conversion consists of one Common Share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant") of the Company. 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) 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 Company on the principal market on which such shares trade is equal to or exceeds $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 Company, 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).

On September 5, 2023, an aggregate of $622,500 of Debentures were converted to 12,450,000 common share units of the Company consisting of 12,450,000 common shares and 6,225,000 common share purchase warrants.

The Debentures were recognized at fair value on initial recognition using 16% per annum as a market rate of interest. The borrowing rate used was determined based on a Level II input under IFRS 9. The difference between the market rate and rate of interest in the Debenture agreement will be recognized as finance expense over the term of the Debentures.

(expressed in Canadian dollars)

11. Finance expense

Finance expense consists of the following:

	Fifteen months ended March 31, 2024	Year ended December 31, 2023
	$	$
Accretion on convertible debentures	**22,740**	-
Interest on convertible debentures	**54,363**	-
Interest on loans and other	**1,672,767**	952,218
Interest on lease liability	**6,807**	7,910
Accretion of decommissioning obligations	**166,209**	102,065
	1,922,886	1,062,193

12. 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, 2021	**62,434,121**	**17,184,374**
Expiry of warrants	-	352,265
Balance, December 31, 2022	**62,434,121**	**17,536,639**
Shares issued on conversion of debentures (note 10)	12,450,000	622,500
Value of warrants issued on conversion of debentures	-	(110,623)
Share issue costs	-	(22,578)
Balance, March 31, 2024	**74,884,121**	**18,025,938**

(expressed in Canadian dollars)

12. Share capital (continued)

c) Warrants

Warrants to acquire common shares at March 31, 2024 are as follows:

	Number of warrants issued and outstanding	Amount $	Weighted average exercise price $	Weighted average Remaining life (years)
Balance, December 31, 2021	13,333,330	352,265	0.10	0.16
Expired	(13,333,330)	(352,265)	(0.10)	-
Balance, December 31, 2022	-	-	-	-
Issued (note 10)	**6,225,000**	**110,623**	**0.10**	**2.05**
Balance, March 31, 2024	**6,225,000**	**110,623**	**0.10**	**2.05**

All outstanding warrants are exercisable as at March 31, 2024 and 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 pricing model and have been credited to warrants within equity. The weight average assumptions used in the calculation is noted below:

	Fifteen month period ended March 31, 2024
Risk-free rate	**4.66%**
Expected life	**2.62 years**
Expected volatility	**141.2%**
Fair value per warrant	**$0.02**

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.

There were no options outstanding as at and during the fifteen month period ended March 31, 2024 and year ended December 31, 2022.

(expressed in Canadian dollars)

12. Share capital (continued)

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 dilutive equity instruments have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive due to the loss position of the Company.

f) Contributed surplus

Contributed surplus consists of the fair value of unexercised stock options and contributions from owners of the Company. The composition of contributed surplus is as follows:

	As at March 31, 2024	As at December 31, 2022
	$	$
Fair value of expired stock options	**2,441,269**	2,441,269
Contributions from owners (note 6)	**205,063**	-
	2,646,332	2,441,269

13. Income taxes

The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to loss before income taxes. The principle reasons for differences between such expected income tax expense and the amount actually recorded are as follows:

	Fifteen month period ended March 31, 2024	Year ended December 31, 2022
	$	$
Loss before income taxes	**(4,632,796)**	(2,324,469)
Statutory income tax rate	**22.00%**	22.00%
Expected income tax recovery	**(1,019,053)**	(511,383)
Permanent difference	**3,243**	-
Other	**(68,707)**	(101,320)
Change in deferred tax assets not recognized	**1,084,517**	612,703
Income tax provision	**-**	-

(expressed in Canadian dollars)

13. Income taxes (continued)

Deferred income taxes are based on the differences between the accounting amounts and the related tax bases of the Company's assets and (liabilities). The income tax rate used to calculate deferred income taxes is 22% (December 31, 2022 - 22%).

	Fifteen month period ended March 31, 2024	Year ended December 31, 2022
Deferred tax liabilities		
Property and equipment	$ (381,925)	$ (409,050)
Deferred tax assets		
Non-capital losses	381,925	409,050
Net deferred tax assets	$ -	$ -

As at March 31, 2024, the Company has tax pools and non-capital losses as described below that are available to shelter future taxable income. The Company's non-capital losses expire between the years 2025 and 2044. The remaining significant tax pools have indefinite lives.

Non-capital losses	$ 26,770,789
Share issue costs	27,282
Shareholder indemnity	291,628
Income tax credits	780,000
Scientific research and experimental development	602,650
Property and equipment	13,673,610
	$ 42,145,959

14. Related party transactions and key management compensation

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

14. Related party transactions and key management compensation (continued)

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, 2023 with final payment due December 31, 2025. The officer has not yet paid the initial instalment due on December 31, 2023. 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.

As at March 31, 2024, trade and other receivables includes $72,468 in outstanding advances to an officer of the Company that are unsecured and non-interest bearing (December 31, 2022 - $77,743).

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

(i) During the fifteen month period ended March 31, 2024, Interest on demand loan, note payable and credit facility of $1,601,997 (December 31, 2022 - $944,168) was charged by corporations, which are owned and controlled, either directly or indirectly, by a party who is a significant shareholder of the Company, and are included in finance expense. Included in accounts payable and accrued liabilities at March 31, 2024 was $5,899,096 (December 31, 2022 - $4,292,936) in accrued interest in relation to these financial instruments.

(ii) During the fifteen month period ended March 31, 2024, rent expense of $48,000 (December 31, 2022 - $36,000) was charged by corporations, which are owned and controlled by a party who is also a significant shareholder of the Company, and are included in general and administrative expense.

14. Related party transactions and key management compensation (continued)

(iii) During the fifteen month period ended March 31, 2024, salaries and wages of $239,500 (December 31, 2022 - $193,630) were paid to an officer of the Company.

(iv) During the fifteen month period ended March 31, 2024, consulting fees of $415,691 (December 31, 2022 - $255,674) were charged to the Company by officers and directors of the Company. Of this amount, $356,218 (December 31, 2022 - $255,674) is included in general and administrative expense and $59,473 was capitalized to property and equipment (December 31, 2022 - $nil).

(v) Included in accounts payable and accrued liabilities at March 31, 2024 was $2,001,846 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, 2022 - $2,166,417).

(vi) Included in accounts receivable at March 31, 2024 was $41,526 owing from corporations which are owned and controlled by a party who is a significant shareholder of the Company (December 31, 2022 - $16,113).

(vii) Refer to Notes 8 and 9 for additional disclosure of related party liabilities.

Key management compensation

During the fifteen month period ended March 31, 2024, the Company incurred $655,191 (December 31, 2022 - $449,304) in management compensation, of which $595,718 (Year ended December 31, 2022 - $449,304) is included in general and administration expense and $59,473 (Year ended December 31, 2022 - $nil) has been capitalized to property and equipment.

Key management compensation includes all officers and directors of the Company.

(expressed in Canadian dollars)

15. Lease liability

The following is a breakdown of the Company's lease liability:

Lease liability – vehicle leases		
Balance, December 31, 2021	$	39,231
Lease payments		(18,425)
Lease modification		(13,853)
Interest expense		7,910
Balance, December 31, 2022		**14,863**
Lease additions		56,890
Lease payments		(26,593)
Interest expense		6,807
Balance, March 31, 2024		**51,967**
Less current portion of lease obligations		**12,653**
Non-current portion of lease obligations	**$**	**39,314**

As at March 31, 2024, the estimated undiscounted cash flows required to settle the Company's lease liability was $51,967 (December 31, 2022- $14,863). As at March 31, 2024, the Company calculated the present value of the lease payments utilizing an incremental borrowing rate ranging from 8% - 12% (December 31, 2022 – 6% - 10%).

The Company's total undiscounted future lease payments equate to future fixed lease obligations and exclude future variable office lease obligations as they do not meet the recognition criteria for a lease.

16. 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 March 31, 2024 (December 31, 2022 - $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.

16. Commitments and contingencies (continued)

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 March 31, 2024 and December 31, 2022, the Company has not made payment in line with the agreed repayment schedule. Accordingly, the remaining balance of $103,496 (December 31, 2022 - $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$106,332). 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 March 31, 2024 and December 31, 2022, 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 March 31, 2024 and December 31, 2022, 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.

(expressed in Canadian dollars)

17. Supplemental cash flow information

The Company had the following non-cash investing and financing transactions:	**Period ended March 31, 2024 $**	Year ended December 31, 2022 $
Settlement of accounts payable and accrued liabilities on issuance of convertible debentures	**712,500**	-
Trade and other receivables settled on business combination	**127,907**	-
Accounts payable and accrued liabilities settled on business combination	**107,582**	-
Accounts payable and accrued liabilities de-recognized as gain on participation agreement	**726,222**	304,568
Revisions to decommissioning obligations	**1,487,211**	(943,517)
Decommissioning obligations assumed on business combination	**166,298**	-
Common shares issued on conversion of debentures	**599,922**	-
Warrants expired and transferred to share capital	**-**	352,265
Fair value assigned to warrants on conversion of debentures	**110,623**	-

18. 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, credit facility, other liabilities, royalty obligation, convertible debenture, lease liability and demand loan. All of the financial instruments are measured at fair value on initial recognition using Level I or Level II inputs and are subsequently measured at amortized cost.

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.

As at March 31, 2024 and December 31, 2022, the Company does not have any financial instruments that are measured using Level III inputs.

(expressed in Canadian dollars)

18. Financial risk management (continued)

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.

The majority of the Company's trade 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.

As at March 31, 2024, the Company's trade and other receivables are aged as follows:

	March 31, 2024	December 31, 2022
Days outstanding	**$**	$
0-30 days	**109,331**	209,535
31-60 days	**21,621**	9,900
61-90 days	**30,823**	4,289
Greater than 90 days	**66,060**	132,735
Total	**227,835**	356,459

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

Amounts outstanding for more than 90 days are considered past due. During the period ended March 31, 2024, the Company recognized an impairment charge of $330,197 for trade and other receivables (December 31, 2022 – $526,013). As at March 31, 2024, there is an allowance for doubtful accounts of $900,099 (December 31, 2022 - $741,639).

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

18. Financial risk management (continued)

The Company's approach to managing liquidity is to ensure 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.

The Company attempts to align its payment cycles with collections of oil and natural gas revenue. As at March 31, 2024, the Company has a working capital deficiency of $22,143,920. Management intends to raise funds through debt or equity financings to address this deficiency, settle its obligations as they become due and continue to operate as a going concern.

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 profit or loss or the value of financial and non-financial assets and liabilities. 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 natural 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 revenues and expenses are transacted in United States dollars. The Company does not hedge its exposure to fluctuations in the exchange rate. As the Company does not hold significant foreign currency balances within any entity within the Group, the risk of future changes in exchange rates having a material effect on the Company's business including its intended capital plans, its financial condition and results of operations is low.

(expressed in Canadian dollars)

18. Financial risk management (continued)

(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 March 31, 2024, the majority of the Company's debt, including the demand loan, note payable and convertible debentures bear interest at fixed 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 fifteen month period ended March 31, 2024 or year ended December 31, 2022.

e) Capital management

The Company's capital consists of shareholders' deficiency, credit facility, note payable, demand loan, convertible debentures 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 periods presented.

19. Segmented information

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

Revenue disaggregation by product is as follows:

Revenue for the periods ended	Oil	Natural Gas	NGL's	Royalty Income	Total
March 31, 2024 ($)	1,638,335	35,752	7,886	74,548	1,756,521
December 31, 2022 ($)	1,764,230	70,807	10,740	125,958	1,974,735

(expressed in Canadian dollars)

19. Segmented information (continued)

Geographical segmentation is as follows:

	As at and for the fifteen months ended March 31, 2024 ($)		
	Canada	**United States**	**Total**
Petroleum and natural gas sales	130,420	1,626,101	1,756,521
Depletion, depreciation and impairment	109,813	1,337,107	1,446,920
Net loss	(2,308,282)	(2,324,514)	(4,632,796)
Property and equipment	54,567	2,892,582	2,947,149
Total liabilities	12,970,758	16,008,373	28,979,131

	As at and for the year ended 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	13,132,597	25,531,753

20. Subsequent event

On August 22, 2024, the Company closed a non-brokered private placement. Pursuant to this closing, an aggregate 31 million units were issued at a price of 2.5 cents per unit for aggregate consideration of $775,000. Each unit consists of one common share of the Company and one common share purchase warrant (each full warrant shall entitle the holder thereof to purchase one additional common share of the Company for a period of 24 months from the issuance of the units at a price of 10 cents).