# Nexera Energy Inc.

Condensed Interim Consolidated Financial Statements
(unaudited)

**For the three months ended June 30, 2025**

*(expressed in Canadian dollars)*

**Notice to Reader**

The June 30, 2025 Condensed Consolidated Interim Financial Statements have been prepared by and are the responsibility of management. These financial statements have not been reviewed by the Company's independent external auditors.

# NEXERA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| *(Unaudited, expressed in Canadian Dollars)* | **June 30, 2025** | March 31, 2025 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 31,875 | 65,952 |
| Short-term investments | 357,084 | 375,486 |
| Trade and other receivables (notes 14(a) | 569,221 | 215,010 |
| Prepaid expenses and deposits | 1,716 | 1,768 |
| **Total current assets** | **959,895** | **658,216** |
| **Non-current assets** | | |
| Property and equipment (note 6) | 1,492,383 | 1,706,000 |
| **Total assets** | **2,452,278** | **2,364,216** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 14 (b)) | 13,928,447 | 13,823,914 |
| Shareholder indemnity (note 16(a)) | 79,173 | 79,173 |
| Demand loan (note 8) | 62,010 | 133,890 |
| Credit facility (note 9 (b)) | 4,492,206 | 4,539,662 |
| 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) | - | 23,289 |
| **Total current liabilities** | **24,450,738** | **24,488,830** |
| **Non-current liabilities** | | |
| Lease liability (note 15) | 115,405 | 99,024 |
| Decommissioning obligations (note 7) | 6,568,056 | 6,927,204 |
| Royalty obligation (note 20) | 6,199 | 6,534 |
| Convertible Debentures (note 10) | 357,333 | 357,333 |
| **Total liabilities** | **31,497,732** | **31,878,924** |
| **Shareholders’ deficiency** | | |
| Share capital (note 12(b)) | 18,803,104 | 18,803,104 |
| Equity component of convertible debenture (note 10) | 50,869 | 50,869 |
| Warrants (note 12(c)) | 683,576 | 683,576 |
| Contributed surplus (note 12 (f)) | 2,646,522 | 2,646,332 |
| Share purchase loan (note 14(a)) | (247,970) | (247,970) |
| Deficiency | (50,596,306) | (50,878,993) |
| Accumulated other comprehensive income | (385,250) | (571,627) |
| **Total shareholders’ deficiency** | **(29,045,454)** | **(29,514,708)** |
| **Total liabilities and shareholders’ deficiency** | **2,452,278** | **2,364,216** |

**Reporting entity and going concern (note 1)**
**Subsequent events (note 21)**

Approved on behalf of the Board of Directors

| *Signed* “Shelby D. Beattie” | *Signed* “Kendall Dilling” |
|---|---|
| Director | Director |



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

# NEXERA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME(LOSS) AND COMPREHENSIVE INCOME(LOSS)

| *(Unaudited, expressed in Canadian Dollars)* | Three months ended June 30, **2025** | **2024** |
|---|---|---|
| **Revenue** | | |
| Petroleum and natural gas revenue (note 19) | 168,026 | 354,819 |
| Other revenue | 34,968 | 22,005 |
| Royalties | (38,997) | (91,408) |
| | **163,998** | **285,415** |
| **Operating expenses** | | |
| Production and operating expenses | (87,668) | 53,334 |
| Depletion and depreciation (note 6) | 43,095 | 127,233 |
| General and administrative (note 14(b)) | 168,429 | 102,754 |
| | **123,855** | **283,321** |
| **Results from operating activities** | **40,142** | **2,094** |
| **Finance expense** | | |
| Interest expense (note 10) | (330,158) | (360,541) |
| Interest on lease liability | (2,853) | (2,741) |
| Accretion of decommissioning obligations and convertible debentures (note 6 and 9) | (70,066) | (39,402) |
| | **(403,077)** | **(435,467)** |
| **Net loss** | **(362,935)** | **(433,372)** |
| **Other comprehensive income (loss): Foreign currency translation adjustment** | 186,377 | (68,887) |
| **Total comprehensive loss** | **(176,557)** | **(502,260)** |
| **Basic and fully diluted loss per share (note 11(e))** | (0.00) | (0.01) |
| **Weighted average number of common shares outstanding** | 101,831,489 | 74,884,122 |



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

# NEXERA ENERGY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

| | Share Capital | Warrants | Contributed Surplus | Share purchase loan | Deficiency | Equity Component of Convertible Debentures | Accumulated other comprehensive loss | Total deficiency |
|---|---|---|---|---|---|---|---|---|
| *(Unaudited, expressed in Canadian Dollars)* | ($) | ($) | ($) | ($) | ($) | ($) | ($) | ($) |
| **Balance - March 31, 2024** | **18,025,938** | **110,623** | **2,646,332** | **(247,970)** | **(46,263,983)** | **50,869** | **252,758** | **(25,425,433)** |
| Issue of shares on Private Placement | 1,375,000 | | | | | | | 1,375,000 |
| Warrants issued on Private Placement | (572,953) | 572,953 | | | | | | - |
| Financing/Legal fees related to Private Placement | (24,881) | | | | | | | (24,881) |
| Financing/Legal fees related to Warrant | | | | | | | | - |
| Capital contribution on disposition of assets | | | | | | | | - |
| Loss for the year | | | | | (4,615,009) | | | (4,615,009) |
| Issue of convertible debentures (Note 10) | | | | | | | | - |
| Issue of shares on conversion of debentures | | | | | | | | - |
| Foreign exchange translation to presentation currency | | | | | | | (824,385) | (824,385) |
| **Balance - 12 months ended March 31, 2025** | **18,803,104** | **683,576** | **2,646,332** | **(247,970)** | **(50,878,993)** | **50,869** | **(571,627)** | **(29,514,708)** |
| Capital contribution on disposition of assets | | | **190** | | | | | 190 |
| Loss for the period | | | | | **282,687** | | | 282,687 |
| **Foreign exchange translation adjustment** | | | | | | | **186,377** | 186,377 |
| **Balance - June 30, 2025** | **18,803,104** | **683,576** | **2,646,522** | **(247,970)** | **(50,596,305)** | **50,869** | **(385,250)** | **(29,045,454)** |



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

| | Three months ended June 30, | |
|---|---|---|
| *(Unaudited, expressed in Canadian Dollars)* | **2025** | **2024** |
| **Cash (used in) provided by:** | | |
| **Operating activities** | | |
| Net loss for the year | **(362,935)** | (433,372) |
| Adjustments for: | | |
| Depletion and depreciation | **43,095** | 127,233 |
| Accretion of decommissioning obligation | **87,051** | 72,185 |
| Accretion of convertible debenture | **0** | 15,117 |
| Interest on lease liability | **2,853** | 2,741 |
| Gain on participation agreement | | - |
| Loss(gain) on disposition of property and equipment | | - |
| Unrealized foreign exchange gain | **405,933** | (88,603) |
| | **175,997** | (304,701) |
| Change in trade and other receivables | **(354,211)** | (204,541) |
| Change in prepaid expenses and deposits | **52** | (10) |
| Change in accounts payable and accrued liabilities | **104,533** | 505,782 |
| Change in Royalty Obligation | **0** | 0 |
| Change in shareholder indemnity | **0** | 0 |
| | **(73,630)** | (3,471) |
| **Investing activities** | | |
| Property and equipment expenditures | | 35,536 |
| | | 35,536 |
| **Financing activities** | | |
| Repayment of demand loan | 71,880 | |
| Lease liability payments | (32,327) | (5,799) |
| Proceeds from issuance of convertible debentures, net issue costs | | - |
| | **39,553** | (5,799) |
| **Increase (decrease) in cash** | **(34,076)** | 26,265 |
| **Cash, beginning of period** | **65,952** | 21,757 |
| **Cash, end of period** | **31,875** | 48,022 |

## 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 June 30, 2025 , the Company had an accumulated deficit of $50,596,306 (March 31, 2024 - $46,263,984), a working capital deficiency of $23,490,843 (March 31, 2024 – $22,143,921) and incurred a net loss of $4,615,009 for the year then ended (fifteen month period ended March 31, 2024 – loss of $4,632,797). Management expects to continue incurring losses in the development of the 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 November 26, 2025.

*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.

*Going concern* The consolidated 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.

*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 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.

*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 estimates its commercial reserves and 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.

*Royalty obligations* The Company has entered into a gross overriding royalty agreement on certain wells with an arms-length party. The Company has determined that the royalty obligation is a financial liability. The gross overriding royalty obligation was initially valued at an estimate of its fair value based on the net present value of the reserves associated with the wells, as determined by an independent reserve engineer. The obligation has subsequently been measured at amortized cost using the effective interest rate method at each period end based on estimated projected royalties as determined by utilizing an independent reserve engineer report. Subsequent revisions to the estimated timing and amounts are recorded in profit or loss.

## 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. The Company may enter into farm-in arrangements whereby the Company exchanges an interest in certain oil and gas properties in exchange for cash or other consideration. These transactions are accounted for based on an evaluation of the underlying terms and conditions of the arrangement and often create joint operations, royalty or net profit interests. 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 the 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 per annum*

| | |
|---|---|
| Furniture and equipment and leasehold improvements | 20% |
| Computer Hardware | 30% |
| Automotive | 30% |

*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 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 loans | 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 |

*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. The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued in private placement unit offerings. This method values each component at fair value and allocates total proceeds received between shares and warrants based on their pro rata relative values. The fair value of the common shares is based on the closing bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model. 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 is 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.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 obligations |
| 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 products are 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 provides wellsite operator or other oilfield services to third parties and recognizes these other revenues as the services are provided and billed to the customer. The provision of these services gives rise to a distinct service that consists of a single performance obligation at a fixed price.

*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 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).

*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 revenues 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.

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 year ended March 31, 2025, the Company expensed $36,000 (fifteen month period ended March 31, 2024 - $48,000) for short-term leases including operating costs.

*Amended IFRS Accounting Standards and pronouncements*
The Company adopted the following amendments to accounting standards and effective April 1, 2024, which did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 1 - 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.

Amendments to IAS 1 - Presentation of Financial Statements – Non-current Liabilities with Covenants 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).

*Future Accounting Standards and pronouncements*

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 organize 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 is assessing the impact of this standard on its consolidated financial statements.

**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 the 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).

*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:

| | |
|---|---|
| <u>Net Assets acquired:</u> | |
| Assets acquired: | |
| Property and equipment (note 6) | $ 186,623 |
| Liabilities assumed: | |
| Decommissioning obligations (note 7) | $ (166,298) |
| Net assets acquired | $ 20,325 |
| | |
| <u>Consideration paid:</u> | |
| 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 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, plant and equipment**

| | Oil and natural gas interests | Right of use assets | Corporate and other | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost, March 31, 2024** | **16,185,879** | **57,890** | **835,983** | **17,079,752** |
| Additions | - | 173,965 | - | 173,965 |
| Non-cash additions/(deductions) | (39,453) | (83,032) | - | (122,485) |
| Impairment | 682,309 | | | 682,309 |
| Foreign currency translation | 1,203,655 | | 63,110 | 1,266,765 |
| **As at March 31, 2025** | **18,032,390** | **148,823** | **899,093** | **19,080,306** |

| | | | | |
|---|---|---|---|---|
| **Accumulated depletion, depreciation and impairment, March 31, 2024** | **(13,415,877)** | **(4,824)** | **(711,902)** | **(14,132,603)** |
| Depletion and depreciation expense | (252,739) | (19,022) | (25,388) | (297,149) |
| Impairment losses | (1,835,801) | | | (1,835,801) |
| Foreign currency translation | (1,052,279) | | (56,474) | (1,108,753) |
| **Accumulated depletion, depreciation and impairment, March 31, 2025** | **(16,556,696)** | **(23,846)** | **(793,764)** | **(17,374,306)** |
| **Carrying value, March 31,2025** | **1,475,694** | **124,977** | **105,329** | **1,706,000** |

| | Oil and natural gas interests $ | Right of use assets $ | Corporate and other $ | Total $ |
|---|---|---|---|---|
| **As at March 31, 2025** | **18,032,390** | **148,823** | **899,093** | **19,080,306** |
| Additions | | | | |
| Foreign currency translation | | | | |
| **Cost, June 31, 2025** | **18,032,390** | **148,823** | **899,093** | **19,080,306** |
| **Accumulated depletion, depreciation and impairment, March 31, 2025** | **(16,556,696)** | **(23,846)** | **(793,764)** | **(17,374,306)** |
| Depreciation and depletion for the period | (250,777) | (6,908) | 16,520 | (241,165) |
| Foreign currency translation | 58,907 | (11,829) | (19,530) | 27,548 |
| **Accumulated depletion, depreciation and impairment, June 30, 2025** | **(16,748,565)** | **(42,583)** | **(796,774)** | **(17,587,923)** |
| **Carrying value, June 30,2025** | **1,283,824.57** | **106,239.72** | **102,319.09** | **1,492,383.38** |

The calculation of depletion expense includes future development costs of $nil for the year ended March 31, 2025 (fifteen months ended March 31, 2024 - $nil) .

During the year ended March 31, 2025, the Company entered into a farm-out arrangement with an unrelated third party whereby the farmee was required to incur $80,000 ($57,050 USD) in well stimulation and optimization expenditures to earn a 50% net profit interest in the related wells. Pursuant to the agreement, the third party is entitled to receive 100% of the net profits from these wells until the full amount of the farmee's expenditures are recovered and 50% of the net profits thereafter. The disposition of the interest did not result in a gain or loss for the year ended March 31, 2025. 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)).

For the three-month period ended June 30, 2025, no additions were incurred. The additions appearing in the Statement of Cash Flows are related to prior period(s). Depreciation and depletion expense for the period totaled $241,165. Foreign currency translation resulted in a net increase of $27,548. Accumulated depletion, depreciation and impairment increased to $17,587,923 as at June 30, 2025, resulting in a carrying amount of $1,492,383 at the end of the period.

*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, 2025 and March 31, 2024 based on reserve values prepared by an independent reservoir engineer using a pre-tax discount rate of 12% (March 31, 2024 – 12%), forecast pricing and an inflation rate of 2% (March 31, 2024 – 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 year ended March 31, 2025 of $1,835,801 (fifteen month period ended March 31, 2024 – $1,134,623).

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, 2025 are as follows:

| | Crude oil (West Texas Intermediate) USD$/bbl |
|---|---|
| 2025 | 67.11 |
| 2026 | 64.36 |
| 2027 | 63.55 |
| 2028 | 64.86 |
| 2029 | 66.23 |

*Prices escalating at 2.0 percent annually thereafter.*

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.*

**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 $8,798,703 as at March 31, 2025 (2024 - $7,250,020). 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% (March 31, 2024 – 2.00%) and a discount factor, being the risk-free rate related to the liability, of 2.47% to 4.62% (March 31, 2024 – 3.41% to 5.03% ).

As at March 31, 2025, the Company has entered into a letter of credit with a financial institution in the amount of $359,400 ($250,000 USD) (2024 - $338,753 ($250,000 USD)) to satisfy the reclamation and abandonment bonding requirements of the Texas Railroad Commission. The letter of credit is secured by a deposit, included in short term investments, of the same amount.

For the **three-month period ended June 30, 2025**, the decommissioning obligation decreased to **$6,565,982** from the March 31, 2025 balance of $6,927,204. The decrease is mainly due to a **$93,447** downward revision in estimated future cash flows during the quarter and a **$337,841** reduction resulting from foreign currency translation. These decreases were partially offset by **$70,066** in accretion expense recognized for the period.

| | **June 30, 2025** | March 31, 2025 |
|---|---|---|
| | **$** | $ |
| **Balance, beginning of year** | **6,927,204** | 5,651,702 |
| Business combination (note 4) | - | |
| Revisions / changes in estimates (note 6) | **(93,447)** | 682,309 |
| Accretion | **70,066** | 245,257 |
| Foreign currency translation | **(337,841)** | 347,936 |
| **Balance, end of year** | **6,565,982** | 6,927,204 |

## 8. Demand loans

The Company has the following demand loans outstanding, all of which are classified as current liabilities.

a) 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.
As at March 31, 2025 and June 20, 2025, the principal outstanding on this Demand Loan was $62,010 (March 31, 2024 - $62,010). During the year ended March 31, 2025, the Company incurred interest expense of $8,119 (fifteen month period ended March 31, 2024 - $9,199). Total accrued interest included in accounts payable and accrued liabilities is $23,646 (March 31, 2024 - $15,527). 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.

b) On March 24, 2025, the Company entered into a loan agreement with a related party lender in the amount of USD $50,000 (CAD $71,880). The loan is unsecured, interest-free and due on demand.
During the three month period ended June 30, 2025, the Company repaid the loan in full. The loan was non-interest bearing and, accordingly, no interest expense was recognized in connection with this loan. Any foreign exchange differences arising on settlement were recognized in profit or loss during the period and did not result in any cash inflows or outflows other than the repayment of principal.

c) For purposes of presentation in the consolidated statements of financial position, all demand loans are aggregated and presented as a single “Demand loan” line item.

**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. The Note payable is due 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, 2025 the total amount outstanding under the Loan is $5,785,406 (March 31, 2024 - $5,785,406) and during the year ended March 31, 2025, the Company incurred interest expense of $660,295 (fifteen month period ended March 31, 2024 - $833,002). Total accrued interest included in accounts payable and accrued liabilities is $3,183,404 (March 31, 2024 - $2,523,109). As at March 31, 2025 and March 31, 2024, 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, 2025, the principal balance was $4,539,662 (March 31, 2024 - $4,278,847) and unpaid interest included in accounts payable and accrued liabilities is $4,281,406 (March 31, 2024 - $3,360,459). Interest of $693,045 was expensed during the year ended March 31, 2025 (fifteen month period ended March 31, 2024 - $759,796). 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, 2025 and March 31, 2024, 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, March 31, 2024** | 377.50 | 357,333.27 | 50,869.00 | 408,202.27 |
| Accretion of discount | | 16,985 | | 16,985 |
| **Balance, Mar 31, 2025** | **377.50** | **357,333** | **50,869** | **408,202** |
| **Balance at March 31, 2025** | **377.50** | **357,333** | **50,869** | **408,202** |
| Accretion of discount | | | | |
| **Balance, June 30, 2025** | **377.50** | **357,333** | **50,869** | **408,202** |

For the **three-month period ended June 30, 2025**, no additional accretion, issuance, or conversion activity occurred. As a result, the liability and equity components remained unchanged, and the total carrying amount of the convertible debentures at **June 30, 2025** continued to be **$408,202**.

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.

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.

## 10. Finance expense

**Finance expense consists of the following:**

| | Three months ended June 30, 2025 | Fifteen months ended March 31, 2025 |
|---|---|---|
| Interest on convertible debenture | **37,744** | 16,985 |
| Interest on bank debt | **-** | |
| Interest on loans payable | **275,429** | 36,192 |
| Interest on lease liability | **2,853** | 1,379,912 |
| Accretion of decommissioning obligations | **70,066** | 245,257 |
| Accretion on convertible debenture | **16,985** | 14,884 |
| Total | **403,077** | 1,693,230 |

## 11. 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, Dec 31, 2022** | **62,434,121** | **17,356,639** |
| Share issued on conversion of debentures (note 10) | 12,450,000 | 622,500 |
| Value of warrants issued on conversion of debentures | **0** | **(110,623)** |
| Share issue costs | **0** | **(22,578)** |
| **Balance, March 31, 2024** | **74,884,121** | **18,025,938** |
| Private placement (i) | 55,000,000 | 1,375,000 |
| Value of warrants pursuant to private placement (i) | | (572,953) |
| Share issue costs related to private placement | | (24,881) |
| **Balance, March 31, 2025 & June 30, 2025** | **129,884,121** | **18,803,104** |

On August 22, 2024, the Company closed a non-brokered private placement of 31,000,000 units at a price of $0.025 per unit for aggregate proceeds of $775,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at an exercise price of $0.10 for a period of 24 months from the date of issuance, subject to an acceleration clause.

On March 13, 2025, the Company closed a non-brokered private placement of 24,000,000 units at a price of $0.025 per unit for aggregate proceeds of $600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at an exercise price of $0.10 for a period of 24 months from the date of issuance, subject to an acceleration clause.

*c) Warrants reserve*

Warrants to acquire common shares outstanding at June 30, 2025 are as follows:

| | Number of warrants issued and outstanding | Amount $ | Weighted average exercise price $ | Weighted average remaining life |
|---|---|---|---|---|
| **Balance, March 31, 2022** | **0** | **0** | **0** | **0** |
| 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** |
| Share purchase warrant issued (note 10(b)) | 55,000,000 | 572,953 | 0.10 | - |
| Balance, March 31, 2025 | 61,225,000 | 683,576 | 0.10 | **1.64** |
| Share purchase warrant issued (note ) | **0** | **0** | | |
| **Balance, June 30, 2025** | **61,225,000** | **683,576** | **0.10** | **1.64** |

All outstanding warrants are exercisable as at June 30, 2025. The weighted average assumptions used in the calculations are noted below:

| | **2025** | **2024** |
|---|---|---|
| Risk-free rate | 2.95% | 4.66% |
| Expected life | 2 years | 2.62 years |
| Expected volatility | 215.96 | 141.2% |
| Fair value per warrant | 0.011 | 0.02 |

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

*d) Stock options*

The Company established a stock 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 stock options outstanding as at and during the year ended March 31, 2025 and the fifteen month period ended March 31, 2024.

*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 June 30, 2025 $ | As at March 31, 2025 $ |
|---|---|---|
| Fair value of expired stock options | **2,441,269** | 2,441,269 |
| Contributions from owners (note 5) | **205,063** | 205,063 |
| | **2,646,332** | 2,646,332 |

**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 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, 2025, trade and other receivables includes $109,016 in outstanding advances to an officer of the Company that are unsecured and non-interest bearing (March 31, 2024 - $72,468).

During the three-month period ended June 30, 2025, production and operating expenses included a reversal of property tax expense that had been accrued in prior periods. The reversal resulted from updated assessments and did not relate to current-period operations.

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

(i) During the year ended March 31, 2025, interest on demand loans, note payable and credit facility of $1,361,458 (fifteen month period ended March 31, 2024 - $1,601,997) 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, 2025 was $7,488,456 (March 31, 2024 - $5,899,096 ) in accrued interest in relation to these financial instruments.

(ii) During the year ended March 31, 2025, rent expense of $36,000 (fifteen month period ended March 31, 2024 - $48,000) 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.

(iii) During the year period ended March 31, 2025, salaries and wages of $156,500 (fifteen month period ended March 31, 2024 - $239,500) were paid to an officer of the Company.

(iv) During the year ended March 31, 2025, consulting fees of $271,507 (fifteen month period ended March 31, 2024 - $415,691) were charged to the Company by officers and directors of the Company. Of this amount, $271,507 (March 31, 2024 - $356,218) is included in general and administrative expense and $nil was capitalized to property and equipment (March 31, 2024 - $59,473).

(v) Included in accounts payable and accrued liabilities at March 31, 2025 was $1,844,668 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 (March 31, 2024 - $2,001,846).

(vi) Included in accounts receivable at March 31, 2025 was $67,937 owing from corporations which are owned and controlled by a party who is a significant shareholder of the Company (March 31, 2024 - $41,526).

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

*Key management compensation*

During the year ended March 31, 2025, the Company incurred $428,007 in management compensation (fifteen month period ended March 31, 2024 - $655,191), of which $428,007 is included in general and administration expense (fifteen months ended March 31, 2024 - $595,718) and $nil has been capitalized to property and equipment (fifteen months ended March 31, 2024 - $59,473). Key management compensation includes all officers and directors of the Company.

## 15. Lease Liabilities

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

| | | |
|---|---|---|
| **Lease liability – vehicle leases** | | |
| Balance, March 31, 2022 | $ | 14,863 |
| Lease additions | | 56,890 |
| Lease payments | | (26,593) |
| Interest expense | | 6,807 |
| **Balance, March 31, 2024** | **$** | **51,967** |
| Lease additions | | 168,138 |
| Lease dispositions | | (80,349) |
| Lease payments | | (32,327) |
| Interest expense | | 14,884 |
| **Balance, March 31, 2025** | **$** | **122,313** |
| **Less current portion of lease obligations** | | **23,289** |
| **Non-current portion of lease obligations** | **$** | **99,024** |
| Lease additions | | 0 |
| Lease dispositions | | 0 |
| Lease payments | | (6,908) |
| Interest expense | | 0 |
| **Balance, June 30, 2025** | **$** | **115,405** |

As at March 31, 2025, the estimated undiscounted cash flows required to settle the Company's lease liability was $122,313 (March 31, 2024 - $51,967). As at March 31, 2025, the Company calculated the present value of the lease payments utilizing an incremental borrowing rate ranging from 7% - 9% (March 31, 2024 – 8% - 12%).

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 prior years 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 has estimated the liability to be $79,173 at March 31, 2025 (March 31, 2024 - $291,628) resulting in a revision to the provision during the year ended March 31, 2025 of $194,455 (March 31, 2024 - $nil). The accrued amount is subject to measurement uncertainty due to interpretations of the indemnity agreement, the Limitations Act of Alberta and the Income Tax Act (Canada).

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, 2025 and 2024, the Company has not made payment in line with the agreed repayment schedule. Accordingly, the remaining balance of $103,496 (March 31, 2024 - $103,496) is considered to be 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$112,814). 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, 2025 and March 31, 2024, 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$23,998). The Company has filed a statement of defense related to these matters. As at March 31, 2025 and March 31, 2024, 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.

**17. 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. During the three-month period ended June 30, 2025, fluctuations in foreign exchange rates resulted in significant unrealized foreign exchange gains on U.S. dollar-denominated monetary items, which affected the Company's reported operating cash flows but did not result in corresponding cash inflows.

*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, 2025 and March 31, 2024, the Company does not have any financial instruments that are measured using Level III inputs.

*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 June 30, 2025, the Company's trade and other receivables are aged as follows:

| Days outstanding | June 30, 2025 $ | March 31, 2025 $ |
|---|---|---|
| 0-30 days | **149,146** | **89,415** |
| 31-60 days | **34,276** | **35,880** |
| 61-90 days | **18,197** | **1,650** |
| Greater than 90 days | **367,602** | **88,065** |
| Total | **569,221** | **215,060** |

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 year ended March 31, 2025, the Company recognized a bad debt provision of $173,772 on trade and other receivables (fifteen month period ended March 31, 2024 – $330,197). As at March 31, 2025, there is an allowance for doubtful accounts of $1,323,606 (March 31, 2024 - $900,099).

*c) Liquidity risk* Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure 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, 2025, the Company has a working capital deficiency of $23,830,614. 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.d) Market risk (continued)

*(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

*(iii)* 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.

*(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, 2025, 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 year ended March 31, 2025 or the fifteen month period ended March 31, 2024.

*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.

**18. 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 | Oil | Natural Gas | NGL's | Royalty Income | Total |
|---|---|---|---|---|---|
| June 30, 2025 ($) | 152,781 | 3,413 | 343 | 11,490 | 168,027 |
| March 31, 2025 ($) | 892,372 | 8,848 | 4,409 | 39,835 | 945,464 |

Geographical segmentation is as follows:

| | | | June 30, 2025 ($) |
|---|---|---|---|
| | Canada | United States | Total |
| Petroleum and natural gas sales | 15,246 | 152,781 | 168,027 |
| Depletion, depreciation and impairment | 10,573 | 32,522 | 43,095 |
| Net loss | 176,614 | 186,321 | 362,935 |
| Property and equipment | 101,008 | 1,391,375 | 1,492,383 |
| Total liabilities | 13,942,416 | 17,555,316 | 31,497,732 |

| | | | March 31, 2025 ($) |
|---|---|---|---|
| | **Canada** | **United States** | **Total** |
| Petroleum and natural gas sales | 61,760 | 883,704 | 945,464 |
| Depletion, depreciation and impairment | 19,312 | 2,113,638 | 2,132,950 |
| Net loss | (1,333,271) | (3,281,738) | (4,615,009) |
| Property and equipment | 124,439 | 1,581,561 | 1,706,000 |
| Total liabilities | 13,156,785 | 18,722,140 | 31,878,925 |

## 19. Royalty obligation

In February 2020, the Company closed an acquisition with an arms-length party for various property interests in the Lavernia fields for cash and contingent share consideration. The shares were held in trust and included a re-purchase clause whereby the Company would re-acquire them if they paid USD $300,000 to the seller on or before December 31, 2020. Pursuant to the agreement, the Company exercised its right to not repurchase the shares. The vendor, in turn, returned the shares to the Company and the two parties entered into a royalty agreement whereby the Company would pay royalties on certain acquired wells in an aggregate amount to not exceed USD $400,000 based on actual production.

At March 31, 2025, the Company has estimated the remaining royalty obligation to be $6,534 (March 31, 2024 - $197,298) resulting in a revision to the provision during the year ended March 31, 2025 of $195,059 (Fifteen month period ended March 31, 2024 - $nil).

## 20. Subsequent events

On August 1, 2025, the Company closed a non-brokered private placement. Pursuant to this closing, an aggregate of 40,000,002 units were issued at a price of $0.015 per unit for aggregate consideration of $600,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles 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 $0.10, subject to an accelerator clause.

On April 15, 2025, the Company's United States subsidiary, Production Resources, Inc. ("PRI"), entered into an operating line of credit agreement with a related party, which is controlled by an individual who is a shareholder and controls other entities that are existing lenders to the Company. The maximum available under the line is USD $500,000. The line has a term of 36 months and bears interest at a rate of 7% per annum, compounded monthly, and is secured by the assets of PRI. A total of USD $85,000 has been advanced on the line subsequent to year-end.