NEXERA

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion and Analysis (MD&A) should be read in conjunction with Nexera Energy Inc (the "Company") interim Consolidated Financial Statements for the three months ended June 30, 2025, and the audited annual Consolidated Financial Statements for the year ended March 31, 2025. Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Additional information relating to the Company is available on SEDAR at www.sedarplus.ca. The Company is listed on the TSX Venture Exchange under the symbol "NGY". The MD&A is dated December 22, 2025.

BASIS OF PRESENTATION

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

Statement of compliance and authorization:

These consolidated interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" using the same accounting policies as those set out in Note 3 of the audited consolidated financial statements for the fifteen months ended March 31, 2025. Certain disclosures, which are normally required to be included in the notes to the audited annual consolidated financial statements, have been condensed or omitted. The condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the twelve months ended March 31, 2025. In the opinion of management, these condensed interim consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position as at June 30, 2025 and the results of its operations and cash flows for the three months then ended.

The consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on December 22, 2025.

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 was the 15-month period ending March 31, 2024 and the new financial year being 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.

BOE Presentation

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

OVERALL PERFORMANCE AND OUTLOOK

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

HIGHLIGHTS OF THE QUARTER ENDED JUNE 30, AND EVENTS SUBSEQUENT TO QUARTER END:

On August 1, 2025 the Company announced the closing of a Private Placement of Units

> The Corporation closed its previously announced non-brokered private placement. Pursuant to this closing, an aggregate 40,000,002 units ("**Units**") were issued (of which 5,500,000 Units were acquired by a directors/officers of the Corporation) at a price of $0.015 per Unit, for aggregate consideration of $600,000. Each Unit consisted of one (1) Common Share of the Corporation and one (1) share purchase warrant (the "**Warrant**") (each full Warrant shall entitle the holder thereof to purchase one (1) additional Common Share of the Corporation for a period of 24 months from the issuance of the Units at a price of $0.10) (the "**Offering**").

On March 13, 2025 the Company announced the closing of a Private Placement of Units

> The Corporation has closed its previously announced non-brokered private placement. Pursuant to this closing, an aggregate 24,000,000 units ("**Units**") were issued (of which 4,900,000 Units were acquired by a directors/officers of the Corporation) at a price of $0.025 per Unit, for aggregate consideration of $600,000. Each Unit consisted of one (1) Common Share of the Corporation and one (1) share purchase warrant (the "**Warrant**") (each full Warrant shall entitle the holder thereof to purchase one (1) additional Common Share of the Corporation for a period of 24 months from the issuance of the Units at a price of $0.10) (the "**Offering**")

The Company will continue to pursue a carefully designed well optimization program to increase production at the Company's La Vernia, Taylor Ina, Somerset, Wooden Horse Kuhn, and MarPat oilfield locations.

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

SELECTED YEAR TO DATE FINANCIAL INFORMATION

	Three months ended June 30	
	2025	2024
FINANCIAL		
Gross revenue	**168,026**	354,819
Total assets	**2,452,278**	2,364,216
Cash flows provided by (used in) operations	**73,630**	3,471
Net comprehensive loss	**(176,557)**	(502,260)
Per share – basic and diluted	**(0.00)**	(0.01)
Exploration and evaluation expenditures	**-**	-
OPERATIONS		
Production sales		
Oil (BBLs/d)	**21**	51
Natural gas (MCF/d)	**20**	25
NGL (BBLs/d)	**-**	-
Total (BOE/d @ 6 MCF: 1 BBL)	**24**	56
Average pricing		
Natural gas ($/mcf)	**8.04**	7.70
Oil/NGL's combined ($/bbl)	**79.31**	71.19
Combined ($/boe)	**75.08**	69.59
Expenses		
Production expense & transportation ($/BOE)	**39.15**	10.32
Royalty expense ($/BOE)	**17.57**	18.14
Net Back Combined ($/BOE)	**18.36**	41.13

Financial and Operations Results

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

Consolidated petroleum and natural gas revenue was $168,026 for the three months ended June 30, 2025, from consolidated revenue of $354,819 for the three months ended June 30, 2024 as commodity prices were lower and daily production decreased from 51 boe/day in 2024 to 24 boe/day during the same period in 2025.

OPERATING RESULTS

	Average Daily Volumes		Average Prices	
Sales – Three months ended	**June 30, 2025**	June 30, 2024	**June 30, 2025**	June 30, 2024
Natural Gas (mcf)	**20**	25	**8.04**	7.70
Oil (bbls)	**21**	51	**79.31**	71.19
NGL (bbls)	**-**	-	**-**	-
Barrels of Oil Equivalent (boe)	**24**	56	**75.08**	69.59

For the three months ended June 30, 2025 natural gas sales were 20 MCF/d compared to 25 MCF/d during the same period in 2024, and natural gas prices were slightly higher at $8.04/MCF during the three months ended June 30, 2025 compared to $7.70/MCF during the same period in 2024.

Oil sales decreased to 21 bbl/day for the period ended June 30, 2025 from 51 bbl/day for the same period in 2024. Oil prices were higher at $79.31/bbl during the period compared to $71.19/bbl during the three months ended June 30, 2024.

During the three months ended June 30, 2025, the average sales volume on a BOE/d basis decreased to 24 BOE/day compared to 56 BOE/day for the three months ended June 30, 2024. The Company is currently in the process of implementing a well optimization program for calendar year 2026.

GENERAL & ADMINISTRATIVE EXPENSES

After recoveries, general and administrative expenses ("G&A") were $168,429 during the three months ended June 30, 2025 from $102,754 for the same period during 2024.

	General & Administrative Expenses	
	June 30, 2025 ($)	June 30, 2024($)
Net G&A expense	168,429	**102,754**

DECOMMISSIONING LIABILITIES

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

DEPLETION& DEPRECIATION

Depletion and depreciation expense, an accounting measure of our finding and on-stream costs, is calculated using the ratio of capital costs to proven reserves. Capital costs include the net book value of historical costs incurred and estimated future expenditures to develop proved reserves.

	Depletion and Depreciation	
	June 30, 2025 ($)	June 30, 2024 ($)
Depletion and depreciation	**43,095**	127,233

During the three months ended June 30, 2025, depletion and depreciation expenses were $43,095, compared to $127,233 during the same period in 2024.

CAPITAL EXPENDITURES

	Three months ended March 31,	
	2025 ($)	2024 ($)
Exploration and evaluation expenditure	**-**	-
Capital expenditures	**-**	**35,536**

Capital expenditures on petroleum and natural gas property and equipment were reflective of foreign exchange translation during the period.

QUARTERLY FINANCIAL INFORMATION

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

Quarterly Financial Information	**June 30**	**March 31**	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**	**Dec 31**	**Sept 30**
($000 except per share and unit values)	**2025**	**2025**	**2024**	**2024**	**2024**	**2024**	**2023**	**2023**
Petroleum and natural gas sales	168	167	260	164	354	235	348	368
Net loss	(177)	(2,057)	(1,228)	(828)	(502)	555	(2,603)	(830)
Net loss per share								
Basic and diluted	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)	0.00	(0.03)	(0.01)
Average daily sales								
Natural gas (MCF/d)	20	13	29	33	25	24	30	23
Oil/NGL (BBLs/d)	21	23	26	18	36	26	40	37
Barrels of oil equivalent (BOE/d)	24	25	30	24	41	30	45	41
Average sales prices								
Natural Gas ($/MCF)	**8.04**	1.83	0.62	0.71	1.30	6.96	9.40	11.31
Oil/NGL ($/BBL)	79.31	89.62	89.86	94.87	104.44	94.64	96.04	101.31
Sales price of oil equivalent ($/BOE)	75.08	82.86	76.35	74.26	94.36	87.87	92.27	99.01
Operating costs ($/BOE)	39.15	66.02	26.59	30.75	14.52	53.01	30.67	34.34
Royalty Expense ($/BOE)	17.57	22.60	18.88	19.85	25.70	21.78	23.70	25.16
Operating netback ($/BOE)	18.36	(5.76)	30.88	23.66	54.14	13.08	37.90	39.51

Explanation of Quarterly Variances

On a quarter by quarter basis, production volumes, and accordingly petroleum and natural gas sales, have decreased in recent months, however the Company has been working with its lender and partners on a production optimization program that is currently being implemented. Canadian production remained minimal, with little fluctuation. The Company's current focus is on the well optimization and development of its South Texas assets.

LIQUIDITY & CAPITAL RESOURCES

In order to resolve its working capital deficiency of $23,490,843 and to access additional share equity, the Company will continue to emphasize its exploration program in Texas.

Given the Company's recurring operating losses, it is critical that the Company focus on areas with the potential for growth, positive cash flow and income, which are considered to exist in the Texas.

Also, to resolve its working capital deficiency, the Company continues to work with its lenders and trade partners to mitigate ongoing costs and to continue as a going concern.

LOANS AND CREDIT FACILITIES

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.

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.

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.

EQUITY FINANCINGS

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 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.

On August 22, 2024, the Company closed a non-brokered private placement. Pursuant to this closing, an aggregate of 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).

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

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTIES

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

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

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions at this time that have not been disclosed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, 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. Specific amounts and disclosures affected by estimates and assumptions are:

Significant judgments

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 judgment.

Significant estimates and assumptions

Reserves

Oil and gas development and production properties are depleted on a unit of production basis at a rate calculated by reference to proved reserves determined in accordance with the Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves. Oil and gas reserves are also used to evaluate impairment of developed property and equipment ("PP&E properties"). Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors, discount rates and forward future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on the statement of comprehensive loss as further information becomes available and as the economic environment changes.

Decommissioning liabilities

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. 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.

Exploration and evaluation ("E&E") assets

The accounting policy for E&E assets is described in note 3. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances as to whether economic quantities of reserves will been found.

Share-based compensation

The fair value of stock options and warrants granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest.

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 and its value in use. The Company used the calculation of fair value less costs to sell to determine the fair value of its CGUs. In determining the fair value less costs to sell, the amount is most sensitive to the future commodity prices, discount rates, and estimates of proved and probable reserves, to determine an implied fair value of the CGU being tested.

Provision for doubtful accounts

The provision for doubtful accounts is reviewed by management on a monthly basis. Trade receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

OUTSTANDING SHARE DATA

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

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.

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.