



**PROSPERA ENERGY INC.**  
**Condensed Interim Financial Statements**  
*For the three and six months ended June 30, 2025*  
*(Unaudited)*

## **Notice of No Auditor Review of Condensed Interim Financial Statements**

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In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three and six months ended June 30, 2025.

**PROSPERA ENERGY INC.**  
**Condensed Interim Statements of Financial Position**  
(in Canadian dollars)

	Note	June 30 2025 (unaudited)	December 31 2024 (audited)
<b>ASSETS</b>			
Current			
Cash		\$ 946,567	\$ 364,083
Trade and other receivables	4	2,603,056	1,874,548
Prepaid expenses and deposits		429,254	393,207
Inventory		1,075,869	564,802
Total current assets		5,054,746	3,196,640
Non-current			
Trade and other receivables	4	1,073,425	1,676,252
Deposits		1,305,706	1,283,422
Property and equipment	5	50,094,623	47,776,659
<b>Total assets</b>		<b>\$ 57,528,500</b>	<b>\$ 53,932,973</b>
<b>LIABILITIES</b>			
Current			
Trade and other payables	6	\$ 14,816,340	\$ 15,429,298
Current portion of lease liability	7	180,513	219,117
Promissory notes	8	3,525,183	1,982,075
Convertible debentures	9	197,725	2,021,949
Current portion of decommissioning obligation	12	1,114,068	1,114,068
Total current liabilities		19,833,829	20,766,507
Non-current			
Trade and other payables	6	1,956,312	1,483,735
Lease liability	7	266,605	345,673
Convertible debentures	9	132,286	—
GORR financing	10	3,133,479	3,015,259
Term loan	11	18,671,715	12,157,803
Decommissioning obligation	12	18,132,506	18,144,787
<b>Total liabilities</b>		<b>62,126,732</b>	<b>55,913,764</b>
<b>SHAREHOLDERS' (DEFICIT) EQUITY</b>			
Share capital	13	31,396,508	31,346,508
Share purchase warrants	14	888,489	936,779
Contributed surplus		5,621,601	5,517,427
Equity portion of convertible debentures		32,395	28,151
Deficit		(42,537,225)	(39,809,656)
<b>Total shareholders' equity</b>		<b>(4,598,232)</b>	<b>(1,980,791)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 57,528,500</b>	<b>\$ 53,932,973</b>

Going concern (Note 2)  
Contingencies (Note 23)  
Proposed acquisition (Note 24)

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

**PROSPERA ENERGY INC.****Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)****For the three and six months ended June 30**

(Unaudited, in Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2025	2024	2025	2024
<b>Revenues</b>					
Petroleum and natural gas sales	17	\$ 4,902,540	\$ 5,147,350	\$ 9,501,012	\$ 9,079,566
Royalties		(670,619)	(546,382)	(1,105,734)	(615,626)
		4,231,921	4,600,968	8,395,278	8,463,940
<b>Expenses</b>					
Operating		2,617,998	2,090,540	6,154,089	4,345,139
General and administrative	18	675,923	678,326	1,366,936	1,591,491
Depletion and depreciation	5	1,030,540	889,324	1,968,980	1,614,525
Accretion	12	169,447	127,824	321,249	274,351
Share-based compensation	15	37,647	21,777	55,884	46,844
Gain on debt settlements	9,13	—	—	(53,151)	—
		4,531,555	3,807,791	9,813,987	7,872,350
<b>Income (loss) from operations</b>		(299,634)	793,177	(1,418,709)	591,590
Finance expense, net	19	685,218	714,487	1,308,860	1,170,057
<b>Income (loss) and comprehensive income (loss)</b>		\$ (984,852)	\$ 78,690	\$ (2,727,569)	\$ (578,467)
<b>Income (loss) per share</b>					
Basic and diluted	16	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)

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

**PROSPERA ENERGY INC.**  
**Condensed Interim Statements of Changes in Equity**  
**For the six months ended June 30**  
(Unaudited, in Canadian dollars)

	Note	2025	2024
<b>Share capital</b>			
Balance, January 1		\$ 31,346,508	\$ 30,516,664
Warrant proceeds		—	6,724
Shares issued on settlement of debt	13	50,000	477,775
Balance, June 30		31,396,508	31,001,163
<b>Share purchase warrants</b>			
Balance, January 1		936,779	1,623,199
Warrants expired	14	(48,290)	(795,243)
Balance, June 30		888,489	827,956
<b>Contributed surplus</b>			
Balance, January 1		5,517,427	4,558,506
Warrants expired	14	48,290	795,243
Share-based compensation	15	55,884	46,844
Balance, June 30		5,621,601	5,400,593
<b>Equity portion of convertible debentures</b>			
Balance, January 1		28,151	28,151
Settlement of convertible debentures	9	(28,151)	—
Issuance of convertible debentures	9	32,395	—
Balance, June 30		32,395	28,151
<b>Deficit</b>			
Balance, January 1		(39,809,656)	(35,523,987)
Loss for the period		(2,727,569)	(578,467)
Balance, June 30		(42,537,225)	(36,102,454)
<b>Total shareholders' (deficit) equity</b>		<b>\$ (4,598,232)</b>	<b>\$ 1,155,409</b>

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

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

	Note	2025	2024
<b>Cash flows provided by (used in) operating activities</b>			
Net loss for the period		\$ (2,727,569)	\$ (578,467)
Items not affecting cash:			
Depletion and depreciation	5	1,968,980	1,614,525
Accretion	12	321,249	274,351
Share-based compensation	15	55,884	46,844
Finance expense	19	1,308,860	1,170,057
Gain on debt settlements	9,13	(53,151)	—
Funds flow from (used by) operations		874,253	2,527,310
Decommissioning expenditures	12	(448,241)	—
Change in non-cash working capital	21	(1,475,757)	(1,524,649)
Net cash flows provided by operating activities		(1,049,745)	1,002,661
<b>Cash flows provided by (used in) financing activities</b>			
Lease payments	7	(140,625)	(90,007)
Proceeds from warrant exercises		—	6,724
Proceeds from GORR financing		—	1,608,805
Proceeds from term loan	11	6,500,000	—
Proceeds from convertible debentures	9	150,000	—
Interest paid	19	(857,558)	(352,077)
Net cash flows provided by financing activities		5,651,817	1,173,445
<b>Cash flows used in investing activities</b>			
Property and equipment expenditures	5	(4,172,233)	(2,291,904)
Change in non-cash working capital	21	152,645	—
Net cash flows used in investing activities		(4,019,588)	(2,291,904)
<b>Change in cash</b>		582,484	(115,798)
Cash, beginning of period		364,083	118,933
<b>Cash, end of period</b>		\$ 946,567	\$ 3,135

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**PROSPERA ENERGY INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended June 30, 2025**  
(Unaudited, in Canadian dollars)

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**1. GENERAL DESCRIPTION**

Prospera Energy Inc. (the “Corporation” or “Prospera”) was incorporated under the Canada Business Corporations Act on April 14, 2003, as Georox Resources Inc. The Corporation changed its name to Prospera on June 28, 2018. The Corporation is listed on the TSX-Venture Exchange under the ticker “PEI” and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation’s registered office is Suite 730, 444 7th Ave SW, Calgary, Alberta, Canada, T2P 0X8.

**2. GOING CONCERN**

These financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation has historically met its day-to-day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt.

As at June 30, 2025, the Corporation has a working capital deficiency of \$14,779,083 (December 31, 2024 – \$17,569,867), and an accumulated deficit of \$42,537,225 (December 31, 2024 – \$39,809,656).

There is a material risk that the Corporation will be unable to meet its payable obligations as they become due. Management continually monitors and updates the Corporation’s financing requirements and is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements in order to reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures and satisfy obligations as they become due.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations, the availability of additional financing and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern.

The financial statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Corporation is unable to meet its obligations as they fall due, the preparation of these financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Corporation’s assets, liabilities, revenues, expenses, and balance sheet adjustments may be necessary. Such adjustments could be material.

**3. BASIS OF PRESENTATION AND AUTHORIZATION**

The unaudited condensed interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and adhere to the guidance of International Accounting Standard 34 – Interim Financial Reporting. Certain information and disclosures included in the December 31, 2024 audited financial statements, prepared in accordance with IFRS Accounting Standards, have been condensed or omitted. The Corporation has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2024.

The unaudited condensed interim financial statements were authorized for issuance by the Corporation’s Board of Directors on **August 14, 2025**.

**PROSPERA ENERGY INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended June 30, 2025**  
(Unaudited, in Canadian dollars)

**4. TRADE AND OTHER RECEIVABLES**

The Corporation's trade and other receivables relate to petroleum and natural gas sales revenue and are reported in the statement of financial position as follows:

	June 30 2025	December 31 2024
Current		
Petroleum and natural gas marketers	\$ 1,842,286	\$ 1,690,201
Joint operating partners	487,372	184,347
Due from related party (Notes 20 and 24)	273,398	—
	2,603,056	1,874,548
Non-current		
Joint operating partners	1,036,452	1,400,396
Other	36,973	275,856
	1,073,425	1,676,252
<b>Total trade and other receivables</b>	<b>\$ 3,676,481</b>	<b>\$ 3,550,800</b>

The aging of trade and other receivables is as follows:

	June 30 2025	December 31 2024
0 to 60 days	\$ 2,115,684	\$ 1,429,983
61 to 90 days	487,372	444,565
Over 90 days	1,073,425	1,676,252
<b>Total trade and other receivables</b>	<b>\$ 3,676,481</b>	<b>\$ 3,550,800</b>

The Corporation's production is sold to a variety of purchasers under normal industry sale and payment terms. Accounts receivable are from customers and joint operating partners in the Canadian petroleum and natural gas industry and are subject to normal industry specific credit risk.

The majority of receivables over 90 days are due from joint operating partners. The Corporation can withhold working interest net profits or exercise available recourse mechanisms involving the reduction of the joint operating partner's working interest pursuant to the underlying Joint Operating Agreements as payments against these receivables.

As at June 30, 2025, four companies accounted for 92% of total trade and other receivables (December 31, 2024 – three companies, 70%), each with a balance greater than 10% of total trade and other receivables.

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

**5. PROPERTY AND EQUIPMENT**

	Petroleum and natural gas assets	Right-of-use asset	Total property and equipment
Cost			
Balance, December 31, 2024	\$ 69,793,282	\$ 830,203	\$ 70,623,485
Cash additions	4,172,233	—	4,172,233
Decommissioning revisions (Note 12)	114,711	—	114,711
Balance, June 30, 2025	\$ 74,080,226	\$ 830,203	\$ 74,910,429
Accumulated depletion and depreciation			
Balance, December 31, 2024	\$ 22,362,297	\$ 484,529	\$ 22,846,826
Depletion and depreciation	1,867,561	101,419	1,968,980
Balance, June 30, 2025	\$ 24,229,858	\$ 585,948	\$ 24,815,806
At December 31, 2024	\$ 47,430,985	\$ 345,674	\$ 47,776,659
At June 30, 2025	\$ 49,850,368	\$ 244,255	\$ 50,094,623

Future development costs

The calculation of depletion for the six months ended June 30, 2025 included estimated future development costs of \$42.5 million (December 31, 2024 – \$44.1 million) associated with the development of the Corporation's proved plus probable reserves.

Overhead recoveries

Cash additions for the six months ended June 30, 2025 include \$103,500 (six months ended June 30, 2024 – \$208,685) of recoveries related to the Corporation's working interest in operated capital expenditure programs on which overhead has been charged in accordance with standard industry operating agreements.

**6. TRADE AND OTHER PAYABLES**

The Corporation's trade and other payables consist of:

	June 30 2025	December 31 2024
Current		
Trade payables	\$ 13,438,509	\$ 14,422,427
Accrued liabilities and other payables	1,377,831	1,006,871
	14,816,340	15,429,298
Non-current		
Trade payables	1,956,312	1,483,735
	\$ 16,772,652	\$ 16,913,033

Current trade payables are non-interest bearing and are typically settled on 30-to-120 day terms.

Non-current trade payables represent two trade payable balances for which the Corporation and vendors have agreed to structured monthly repayment. One vendor balance in the amount of \$2,229,904, of which \$448,592 is included in current trade payables and \$1,781,312 is included in non-current trade payables, bears interest at 9.9% per annum, calculated monthly. Monthly interest payments are payable until August 2025. Commencing September 2025, the vendor balance is repayable in instalments of principal and interest of ranging from \$25,000 per month to \$150,000 per month from September 2025 to June 2027 with a final payment of \$164,150 in July 2027.

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

**7. LEASE LIABILITY**

Balance, December 31, 2024	\$	564,790
Imputed interest (Note 19)		22,953
Lease payments		(140,625)
Balance, June 30, 2025	\$	447,118
Current	\$	180,513
Non-current		266,605
	\$	447,118

The Corporation incurs lease payments related to office premises for which the related lease expires on February 28, 2027. As at June 30, 2025, the remaining minimum lease payments in each calendar year are as follows:

2025 (remainder)	\$	142,392
2026		293,097
2027		49,291
	\$	484,780

**8. PROMISSORY NOTES**

Balance, December 31, 2024	\$	1,982,075
Issued		1,500,000
Accretion		40,926
Amortization of transaction costs		2,182
Balance, June 30, 2025	\$	3,525,183

On March 6, 2025, as settlement of a convertible debenture (Note 9), the Corporation issued a \$1,500,000 12-month promissory note bearing 12% interest, with monthly principal repayments of \$250,000 commencing six months after issuance and interest to be paid as a balloon payment at maturity.

The outstanding principal amount of promissory notes was as follows:

As at		June 30 2025	December 31 2024
8% Promissory Notes, maturing between February and April 2025	\$	1,015,000	\$ 1,015,000
14% Promissory Notes, maturing November 25, 2025		80,000	80,000
12% Promissory Notes, maturing in December 2025		900,000	900,000
12% Promissory Notes, maturing March 6, 2026		1,500,000	—
	\$	3,495,000	\$ 1,995,000

During the three and six months ended June 30, 2025, the Corporation recognized \$100,898 and \$157,855 of interest expense (three and six months ended June 30, 2024 – \$49,630 and \$99,260), respectively, and \$8,952 and \$43,108 of accretion and transaction cost amortization (three and six months ended June 30, 2024 – \$211,195 and \$271,994), respectively (Note 19).

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

**9. CONVERTIBLE DEBENTURES**

Balance, December 31, 2024	\$	2,021,949
Interest expense		45,766
Issued		350,000
Settlement of convertible debenture		(2,059,375)
Equity component of convertible debentures		(32,395)
Accretion		4,066
Balance, June 30, 2025		330,011
Current portion		(197,725)
Non-current portion	\$	132,286

(a) On March 6, 2025, the Corporation reached a settlement agreement with the holders of \$1,500,000 principal amount of convertible debentures set to mature on March 26, 2025. Pursuant to the settlement agreement:

- the \$1,500,000 principal amount of convertible debentures were refinanced through the issuance of a \$1,500,000 12-month promissory note (Note 8);
- \$200,000 of the total \$559,375 accrued interest payable on the convertible debentures were settled through the issuance of a 12-month convertible note bearing 12% interest, convertible into common shares of the Corporation at \$0.05 per share. The Corporation retains the right to settle the convertible note in cash by providing thirty days' notice, during which time the holder retains the right to convert; and
- the remaining \$359,375 of accrued interest payable will be settled through the issuance of 8,984,371 common shares of the Corporation at a deemed price of \$0.04 per share, subject to TSXV acceptance.

The Corporation recognized a \$28,151 gain on debt settlements for the reversal of the \$28,151 equity component of the settled convertible debentures.

The debt portion of the \$200,000 convertible debenture was determined to be \$188,439 based on the present value of cash flows using a discount rate of 20%. The \$11,561 remainder was allocated to the equity component of the convertible debenture. The remaining \$359,375 of accrued interest payable has been reclassified to trade and other payables until the related common shares are issued.

(b) In Q2 2025, the Corporation issued \$150,000 principal amount of two-year convertible debentures (the "2-year Debentures"). The 2-year Debentures bear interest at 12%, calculated quarterly and payable at the earlier of maturity or the conversion date. Interest may be paid in cash or shares at the market price at the date of issue, at the Corporation's discretion. The 2-year Debentures are convertible into units at \$0.05 per share if converted in the first year or at \$0.10 per share if converted in the second year. The Corporation reserves the right to force the conversion in the event that the Corporation's shares trade at a price of \$0.125 for a period of ten or more days.

Upon conversion, each unit will consist of one common share and one common share purchase warrant exercisable at \$0.075 per share for a period of two years from the date of conversion.

The debt portion of the 2-year Debentures was determined to be \$129,166 based on the present value of cash flows using a discount rate of 20%. The \$20,834 remainder was allocated to the equity component of the convertible debenture.

During the three and six months ended June 30, 2025, the Corporation recognized \$8,012 and \$45,766, respectively, of interest expense and \$4,066, of accretion and transaction cost amortization (three and six months ended June 30, 2024 – \$68,011 and \$133,813, respectively, of interest and accretion) (Note 19).

**PROSPERA ENERGY INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended June 30, 2025**  
(Unaudited, in Canadian dollars)

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**10. GORR FINANCING**

Balance, December 31, 2024	\$	3,015,259
Amortization of transaction costs		928
Accretion		117,292
Balance, June 30, 2025	\$	3,133,479

As at December 31, 2024 and June 30, 2025, the Corporation had a 0.7% GORR on petroleum and natural gas revenue from all of the Corporation's properties in the principal amount of \$2,821,985. The Corporation may repurchase the GORR for 118% of the original purchase price on or before February 1, 2026, or mandatorily for 120% of the original purchase price on or before April 15, 2026.

As at June 30, 2025, the GORR was reported at an amortized cost of \$3,133,479 (December 31, 2024 – \$3,015,259).

During the three and six months ended June 30, 2025, the Corporation recognized \$30,727 and \$118,220 (three and six months ended June 30, 2024 – \$191,002 and \$337,982), respectively, of accretion transaction cost amortization (Note 19).

During the three and six months ended June 30, 2025, the Corporation recognized \$26,658 and \$52,998 (three and six months ended June 30, 2024 – \$28,745 and \$46,459), respectively, gross overriding royalties in royalties expense in the statements of loss and comprehensive loss.

**11. TERM LOAN**

On July 3, 2024, the Corporation closed an \$11 million debt financing with a company owned by shareholder of the Corporation who, at the date of the agreement, owned 43,000,000 (10%) of the issued and outstanding common shares of the Corporation. The term loan is secured by a lien on the Corporation's petroleum and natural gas assets, bears interest at 12% per annum, calculated and payable monthly, and matures on July 3, 2026, at which time the principal amount is due in full (the "term loan"). In the event the Corporation fails to make an interest payment when due, the term loan shall immediately bear interest at the lesser of (i) 18% per annum and (ii) the maximum annual rate permitted by applicable law, as of the last interest payment until all outstanding interest amounts are paid, at which time the interest rate will revert to 12% per annum. The Corporation incurred \$53,956 of transaction costs which are amortized to finance expense over the term of the initial loan.

In November and December 2024, the term loan agreement was amended to increase the principal amount by \$500,000 and \$700,000, respectively, with a two-year maturity period from the date of each loan tranche. All other terms remained unchanged.

During the six months ended June 30, 2025, the term loan agreement was amended to increase the principal amount by an aggregate amount of \$6,500,000 in various increments at various dates, each with a two-year maturity period from the date of each loan tranche. All other terms remained unchanged.

Balance, December 31, 2024	\$	12,157,803
Proceeds		6,500,000
Amortization of transaction costs		13,912
Balance, June 30, 2025	\$	18,671,715

As at June 30, 2025, the total balance drawn under the term loan facility was \$18,700,000 (December 31, 2024 – \$12,200,000).

During the three and six months ended June 30, 2025, the Corporation recognized \$481,693 and \$876,115 (three and six months ended June 30, 2024 – \$nil), respectively, of interest expense and \$6,994 and \$13,912 of transaction cost amortization (three and six months ended June 30, 2024 – \$nil), respectively, (Note 19) on the term loan.

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

**12. DECOMMISSIONING OBLIGATION**

The following table presents the reconciliation of the carrying amount of obligation associated with the decommissioning of the Corporation's petroleum and natural gas assets:

Balance, December 31, 2024	\$	19,258,855
Revisions		114,711
Expenditures		(448,241)
Accretion		321,249
Balance, June 30, 2025		19,246,574
Current portion		(1,114,068)
Non-current portion	\$	18,132,506

The following significant assumptions were used to estimate the decommissioning obligation at June 30, 2025:

Undiscounted cash flows	\$	23,712,872
Discount rate		3.56%
Inflation rate		2.00%
Expected timing of cash flows		1 to 15 years

**13. SHARE CAPITAL**

<b>Common shares</b>	<b>Number</b>	<b>Amount</b>
Balance issued, December 31, 2024	426,954,767	\$ 31,346,508
Shares issued for 2024 working interest acquisition (a)	3,076,923	—
Shares issued for 2024 debt settlement (b)	3,359,434	—
Debt settlement (c)	1,250,000	50,000
Balance issued, June 30, 2025	434,641,124	\$ 31,396,508

- (a) On March 19, 2025, the Corporation received TSXV approval and issued 3,076,923 common shares and 3,076,923 warrants in respect of a 10% working interest acquisition completed in 2024. The corresponding amounts ascribed to the common shares and warrants of \$230,769 and \$71,176, respectively, were recorded in 2024 and are included in the December 31, 2024 balances for common shares and warrants.
- (b) On February 13, 2025, the Corporation received TSXV approval and issued 3,359,434 common shares in respect of the settlement of \$167,972 of trade payables in 2024 for which the corresponding amount was recorded in 2024 and is included in the December 31, 2024 balance for common shares.
- (c) On February 13, 2025, the Corporation settled a trade payable with a critical vendor totaling \$75,000 through the issuance of 1,250,000 common shares at a deemed price of \$0.06 per share for which the market price on the date of issuance was \$0.04 per share. The settlement resulted in the recognition of a \$25,000 gain on debt settlement in the 2025 condensed interim statement of loss and comprehensive loss.

**PROSPERA ENERGY INC.****Notes to the Condensed Interim Financial Statements****For the six months ended June 30, 2025**

(Unaudited, in Canadian dollars)

**14. SHARE PURCHASE WARRANTS**

<b>Issued</b>		Weighted average exercise price	Number		Amount
Balance, December 31, 2024	\$	0.08	24,001,809	\$	936,779
Working interest acquisition (Note 13(a))		0.10	3,076,923		–
Expired		(0.105)	(459,900)		(48,290)
Balance issued, June 30, 2025		0.06	26,618,832		888,489
<b>Warrants to be issued</b>					
12% Promissory Notes (a)		0.05	4,500,000		–
Balance, June 30, 2025	\$	0.06	31,118,832	\$	888,489

- (a) In December 2024, the Corporation issued 900 promissory note units. Each unit, priced at \$1,000 per unit, consists of: (i) a one-year secured promissory note with a principal amount of \$1,000, bearing a 12% annual interest rate (12% Promissory Notes – Note 9), and (ii) 5,000 common share purchase warrants exercisable at \$0.05 for a period of three years. The aggregate number of warrants to be issued is 4,500,000 for which the ascribed \$37,647 value was recorded in 2024 and is included in the December 31, 2024 balance for warrants. These warrants have not yet been issued and are subject to the acceptance of the TSXV.
- (b) On February 14, 2025, the Corporation amended the terms of 15,330,000 warrants exercisable at \$0.09 per share to extend the maturity date by one year from February 14, 2025 to February 14, 2026. In addition, the exercise price per warrant has been decreased from \$0.09 to \$0.06 for 13,363,000 of the warrants (the “\$0.06 warrants”) and an accelerated expiry clause has been introduced for the \$0.06 warrants such that the exercise period of the warrants will be reduced to 30 days if, for any ten consecutive trading days during the unexpired term of the warrants, the closing price of the Corporation’s common shares exceeds \$0.075. The amended terms are subject to the acceptance of the TSXV.

Information about share purchase warrants outstanding and exercisable at June 30, 2025 is as follows:

Expiry date	Exercise price	Number	Weighted average contractual life remaining (years)
February 14, 2026	\$ 0.060	13,363,000	0.63
February 14, 2026	0.090	1,967,000	0.63
November 15, 2025	0.130	211,909	0.38
December 31, 2025	0.050	3,000,000	0.50
March 3, 2026	0.050	2,000,000	0.67
May 31, 2026	0.050	3,000,000	0.92
March 19, 2027	0.100	3,076,923	1.72
	\$ 0.064	26,618,832	0.78

**15. STOCK OPTIONS AND SHARE-BASED COMPENSATION**

		Weighted average exercise price	Number
Balance, December 31, 2024	\$	0.07	13,414,508
Granted		0.05	2,000,000
Expired		(0.10)	(1,250,000)
Forfeited		(0.06)	(5,474,800)
Balance, June 30, 2025	\$	0.07	8,689,708

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On March 25, 2025, the Corporation granted a total of 2,000,000 stock options to officers of the Corporation at an exercise price of \$0.05 per share. The stock options vest in full on July 25, 2025 and expire on March 25, 2028.

The aggregate grant date fair value of the stock options granted in 2025 was determined to be \$35,699 using the Black-Scholes model based on the following assumptions:

Expected volatility	180%	Expected dividend yield	nil
Expected life	3 years	Risk-free interest rate	2.72%
Grant date share price	\$0.05	Fair value per option	\$0.03

Information about stock options outstanding and exercisable at June 30, 2025 is as follows:

Exercise price	Number outstanding	Number exercisable	Weighted average contractual life remaining (years)
\$ 0.05	2,650,000	650,000	2.46
0.06	2,885,000	577,000	4.01
0.07	200,000	40,000	4.14
0.075	791,668	525,001	2.73
0.095	50,000	50,000	2.42
0.10	350,000	350,000	3.00
0.11	400,000	300,000	2.72
0.12	15,000	9,000	3.24
0.125	1,348,040	1,348,040	0.86
\$ 0.07	8,689,708	3,849,041	2.83

**16. INCOME (LOSS) PER SHARE**

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Income (loss) for the period	\$ (984,852)	\$ 78,690	\$ (2,727,569)	\$ (578,467)
Basic weighted average number of shares	434,641,124	425,827,894	432,194,632	423,706,486
<b>Income (loss) per share - basic</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>

The effect of share purchase warrants and stock options is anti-dilutive in loss periods. During the three months ended June 30, 2024, the dilutive effect of share purchase warrants and stock options was nominal.

**17. PETROLEUM AND NATURAL GAS SALES REVENUE**

The Corporation derives its revenue from contracts with customers primarily through the sale of commodities at a point in time representing the following major product types:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Petroleum sales	\$ 4,900,296	\$ 5,130,112	\$ 9,480,022	\$ 9,003,698
Natural gas sales	2,244	17,238	20,990	75,868
	<b>\$ 4,902,540</b>	<b>\$ 5,147,350</b>	<b>\$ 9,501,012</b>	<b>\$ 9,079,566</b>

All of the Corporation's petroleum and natural gas sales were generated in Saskatchewan and Alberta. During the three and six months ended June 30, 2025, petroleum and natural gas sales were primarily to eight (three and six

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months ended June 30, 2024 – six) major customers.

As at June 30, 2025, total receivables from contracts with customers which are included in accounts receivable from petroleum and natural gas marketers (Note 4), were \$2,878,738 (December 31, 2024 – \$3,090,597).

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Salaries and benefits	\$ 301,038	\$ 417,122	\$ 669,903	\$ 799,541
Professional fees	200,838	166,614	444,965	395,927
Shareholder and regulatory	44,715	121,354	81,316	342,635
Office and general	164,582	73,097	274,252	262,073
Overhead recoveries	(35,250)	(99,861)	(103,500)	(208,685)
	\$ 675,923	\$ 678,326	\$ 1,366,936	\$ 1,591,491

**19. FINANCE EXPENSE, NET**

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Finance fees on trade receivables (Note 4)	\$ 116,082	\$ 186,177	\$ 226,676	\$ 310,168
Imputed interest on lease liability (Note 7)	10,827	15,704	22,953	32,439
Promissory notes (Note 8)	109,850	260,825	200,963	371,254
Convertible debentures (Note 9)	12,078	68,011	49,832	133,813
GORR financing (Note 10)	30,727	191,002	118,220	337,982
Term loan (Note 11)	488,687	–	890,027	–
Vendor interest charges (Note 6)	77,608	–	107,392	–
Other interest and bank charges	15,880	10,004	20,468	33,087
Interest and other income	(176,521)	(17,236)	(327,671)	(48,686)
	\$ 685,218	\$ 714,487	\$ 1,308,860	\$ 1,170,057

**20. RELATED PARTY TRANSACTIONS**

Transactions with related parties are in the normal course of business and recorded at the exchange amount.

During the three and six months ended June 30, 2025, the Corporation was charged \$6,630 and \$85,929 (three and six months ended June 30, 2024 – \$295,879 and \$510,309), respectively, by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at June 30, 2025, trade and other payables included \$18,251 (December 31, 2024 – \$nil) due to this related party.

During the three and six months ended June 30, 2025, the Corporation recognized \$6,981 and \$13,885, respectively, of interest and facility fee expense on a \$200,000 12% promissory note (Note 8) due to a company controlled by a director of the Corporation. As at June 30, 2025, trade and other payables included \$13,885 (December 31, 2024 – \$nil) due to this related party.

During the three and six months ended June 30, 2025, the Corporation charged a related company \$238,196 and \$273,398 (three and six months ended June 30, 2024 – \$nil), respectively, for the related company's share of certain net operating expenses. The Corporation's Executive Chairman is also the Chief Executive Officer and a shareholder of the related company (Note 24). As at June 30, 2025, trade and other receivables included \$273,398 (December 31, 2024 – \$nil) due from this related party.

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(Unaudited, in Canadian dollars)

**21. CHANGE IN NON-CASH WORKING CAPITAL**

For the six months ended June 30	2025	2024
Trade and other receivables	\$ (125,681)	\$ 961,061
Prepaid expenses and deposits	(36,047)	(144,133)
Deposits	(22,284)	101,855
Inventory	(511,067)	(274,474)
Trade and other payables	(628,033)	(2,168,958)
	<b>\$ (1,323,112)</b>	<b>\$ (1,524,649)</b>

The change in non-cash working capital has been allocated to the following activities:

For the six months ended June 30	2025	2024
Operating activities	\$ (1,475,757)	\$ (1,524,649)
Investing activities	152,645	–
	<b>\$ (1,323,112)</b>	<b>\$ (1,524,649)</b>

**22. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT**

The Corporation holds various financial instruments at June 30, 2025. The nature of these instruments and the Corporation's operations expose the Corporation to market risk, credit risk and liquidity risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes this exposure. While management monitors and administers these risks, the Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework.

**(a) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation generally relies on funds generated from operations, acquisitions and/or debt and equity financing to provide sufficient liquidity to meet budgeted operating requirements.

At June 30, 2025, maturities of the Corporation's financial liabilities are as follows:

	Carrying amount	Contractual cash flows	Timing of cash flows		
			Within 1 year	Within 2 years	Within 3 years
Trade and other payables (Note 8)	16,772,652	17,069,792	14,816,340	2,253,452	–
Lease liability (Note 9)	447,118	484,780	288,941	195,840	–
Promissory notes (Note 10)	3,525,183	3,495,000	3,495,000	–	–
Convertible debentures (Note 11)	330,011	358,340	206,312	152,028	–
GORR financing (Note 12)	3,133,479	3,386,382	3,386,382	–	–
Term debt (Note 13)	18,671,715	18,700,000	–	18,700,000	–
	<b>42,880,158</b>	<b>43,494,294</b>	<b>22,192,975</b>	<b>21,301,320</b>	<b>–</b>

**(b) Capital Management**

The Corporation's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future corporate growth. The Corporation monitors its working capital and expected capital spending and raises funds through debt financing and/or the issue of equity to manage its development plans. The Corporation has no externally imposed capital requirements. The Corporation continues to assess its petroleum and natural gas projects and plans to raise additional debt or equity amounts as needed to fund acquisitions and to maintain sufficient working capital to meet administrative expenditures. See the proposed acquisition disclosed in Note 24.

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The Corporation considers its capital structure to be working capital and shareholders' equity. Management reviews its capital management approach on a regular basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the six months ended June 30, 2025.

	June 30 2025	December 31 2024
Working capital deficit	\$ (14,779,083)	\$ (17,569,867)
Shareholders' deficit	\$ (4,598,232)	\$ (1,980,791)

**23. CONTINGENCY**

The Corporation is currently involved in various employment and other related legal matters, with collective claims amounting to \$750,000. A provision has not been recorded in the statement of financial position as at June 30, 2025 and December 31, 2024 as the result of these matters is unknown and expected to be immaterial.

The Corporation is also currently involved in a lawsuit involving breach of a land lease contract, which claims \$500,000 and an undetermined amount of special damages. A provision has not been recorded in the statement of financial position as at June 30, 2025 and December 31, 2024 as the result of this claim is unknown and expected to be immaterial.

**24. SUBSEQUENT EVENTS**

- On March 6, 2025, the Corporation entered into an agreement to acquire 100% of the issued and outstanding common shares of White Tundra Petroleum ("WTP") whose primary petroleum and natural gas assets are located near Loyalist and Hanna, Alberta. This transaction is a related party transaction as the Corporation's Executive Chairman is also the Chief Executive Officer and a shareholder of WTP.

Consideration for the issued and outstanding shares of WTP will be comprised of the issuance of 18,000,000 common shares of the Corporation to WTP shareholders, contingent upon WTP achieving a production rate of 85 barrels of oil equivalent per day ("boe/d") for three consecutive days

A performance-based bonus of 7,312,500 additional common shares of the Corporation will be issued if production of 128 boe/d is achieved for at least seven consecutive days within six months from the closing date.

The transaction has received Conditional Acceptance from the TSXV and is expected to close in August 2025.