



PROSPERA ENERGY INC.
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2025
(Unaudited)

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

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 consolidated financial statements as at and for the three and nine months ended September 30, 2025.

PROSPERA ENERGY INC.

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

	Note	September 30 2025	December 31 2024
ASSETS		(unaudited)	(audited)
Current			
Cash		\$ 249,998	\$ 364,083
Trade and other receivables	5	1,713,618	1,874,548
Prepaid expenses and deposits		585,116	393,207
Inventory		1,122,451	564,802
Total current assets		3,671,183	3,196,640
Non-current			
Trade and other receivables	5	459,185	1,676,252
Deposits		1,334,244	1,283,422
Property and equipment	6	59,074,238	47,776,659
Total assets		\$ 64,538,850	\$ 53,932,973
LIABILITIES			
Current			
Trade and other payables	7	\$ 16,971,101	\$ 15,429,298
Current portion of lease liability	8	157,282	219,117
Promissory notes	9	2,953,282	1,982,075
Convertible debentures	10	362,644	2,021,949
Current portion of decommissioning obligation	13	987,438	1,114,068
Total current liabilities		21,431,747	20,766,507
Non-current			
Trade and other payables	7	1,595,854	1,483,735
Lease liability	8	227,072	345,673
Convertible debentures	10	1,003,594	—
GORR financing	11	3,211,891	3,015,259
Term loans	12	20,073,786	12,157,803
Decommissioning obligation	13	22,090,702	18,144,787
Total liabilities		69,634,646	55,913,764
SHAREHOLDERS' DEFICIT			
Share capital	14	32,485,673	31,346,508
Share purchase warrants	15	951,908	936,779
Contributed surplus		5,659,247	5,517,427
Equity portion of convertible debentures		316,653	28,151
Deficit		(44,509,277)	(39,809,656)
Total shareholders' deficit		(5,095,796)	(1,980,791)
Total liabilities and shareholders' deficit		\$ 64,538,850	\$ 53,932,973

Going concern (Note 2)

Contingencies (Note 25)

Subsequent events (Note 26)

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

PROSPERA ENERGY INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30

(Unaudited, in Canadian dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2025	2024	2025	2024
Revenues					
Petroleum and natural gas sales	18	\$ 5,277,864	\$ 4,727,708	\$ 14,778,876	\$ 13,807,274
Royalties		(844,808)	(490,330)	(1,950,542)	(1,105,956)
		4,433,056	4,237,378	12,828,334	12,701,318
Expenses					
Operating		3,656,216	2,496,800	9,810,305	6,841,939
General and administrative	19	743,055	959,581	2,109,991	2,551,072
Depletion and depreciation	6	1,063,940	758,005	3,032,920	2,372,530
Accretion	13	208,269	107,240	529,518	381,591
Share-based compensation	16	37,646	62,519	93,530	109,363
Gain on debt settlements, net	21	(240,644)	(11,092)	(293,795)	(11,092)
		5,468,482	4,373,053	15,282,469	12,245,403
Income (loss) from operations		(1,035,426)	(135,675)	(2,454,135)	455,915
Finance expense, net	20	936,626	1,150,050	2,245,486	2,320,107
Loss and comprehensive loss		\$ (1,972,052)	\$ (1,285,725)	\$ (4,699,621)	\$ (1,864,192)
Loss per share					
Basic and diluted	17	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

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

PROSPERA ENERGY INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30

(Unaudited, in Canadian dollars)

	Note	2025	2024
Share capital			
Balance, January 1		\$ 31,346,508	\$ 30,516,664
Warrant proceeds		–	6,724
Acquisition of White Tundra Petroleum	4	540,000	–
Shares issued on settlement of debt	14	319,531	477,775
Shares to be issued	14	279,634	200,000
Balance, September 30		32,485,673	31,201,163
Share purchase warrants			
Balance, January 1		936,779	1,623,199
Warrants expired	15	(48,290)	(795,243)
Warrants to be issued	15	63,419	–
Balance, September 30		951,908	827,956
Contributed surplus			
Balance, January 1		5,517,427	4,558,506
Warrants expired	15	48,290	795,243
Share-based compensation	16	93,530	109,363
Balance, September 30		5,659,247	5,463,112
Equity portion of convertible debentures			
Balance, January 1		28,151	28,151
Settlement of convertible debentures	10	(42,040)	–
Issuance of convertible debentures	10	330,542	–
Balance, September 30		316,653	28,151
Deficit			
Balance, January 1		(39,809,656)	(35,523,987)
Loss for the period		(4,699,621)	(1,864,192)
Balance, September 30		(44,509,277)	(37,388,179)
Total shareholders' (deficit) equity		\$ (5,095,796)	\$ 132,203

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

PROSPERA ENERGY INC.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30

(Unaudited, in Canadian dollars)

	Note	2025	2024
Cash flows provided by (used in) operating activities			
Loss for the period		(4,699,621) \$)	\$ (1,864,192)
Items not affecting cash:			
Depletion and depreciation	6	3,032,920	2,372,530
Accretion	13	529,518	381,591
Share-based compensation	16	93,530	109,363
Finance expense	20	2,245,486	2,320,107
Gain on debt settlements	21	(293,795)	(18,276)
Funds flow from (used by) operations		908,038	3,301,123
Decommissioning expenditures	13	(811,076)	—
Change in non-cash working capital	22	127,771	(6,110,622)
Net cash flows provided by operating activities		224,733	(2,809,499)
Cash flows provided by (used in) financing activities			
Lease payments	8	(212,844)	(199,548)
Proceeds from warrant exercises		—	6,724
Proceeds from promissory notes		112,500	—
Repayment of promissory notes		(500,000)	—
Proceeds from convertible debentures	10	1,350,000	—
Repayment of convertible debentures		(103,913)	—
Proceeds from GORR financing		—	1,608,815
Proceeds from term loan	12	6,500,000	10,946,044
Interest paid	20	(1,547,408)	(1,275,321)
Net cash flows provided by financing activities		5,598,335	11,086,714
Cash flows used in investing activities			
Cash acquired	4	10,001	—
Property and equipment expenditures	6	(6,173,000)	(5,033,871)
Working interest acquisition		—	(25,000)
Change in non-cash working capital	22	225,846	—
Net cash flows used in investing activities		(5,937,153)	(5,058,871)
Change in cash		(114,085)	3,218,344
Cash, beginning of period		364,083	118,933
Cash, end of period	\$	249,998	\$ 3,337,277

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

PROSPERA ENERGY INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2025

(Unaudited, in Canadian dollars)

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 consolidated 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 September 30, 2025, the Corporation has a working capital deficiency of \$16,844,802 (December 31, 2024 – \$17,569,867), and an accumulated deficit of \$44,509,277 (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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2024.

PROSPERA ENERGY INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2025

(Unaudited, in Canadian dollars)

These unaudited condensed interim consolidated financial statements include the accounts of the following entities:

<u>Name</u>	<u>Place of Business</u>	<u>Ownership</u>
Prospera Energy Inc.	Canada	Parent company
White Tundra Petroleum (“Tundra”)	Canada	100% owned subsidiary acquired on August 29, 2025 (Note 4)

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Corporation’s Board of Directors on November 26, 2025.

4. ACQUISITION OF TUNDRA

On August 29, 2025, the Corporation closed the acquisition of 100% of the issued and outstanding common shares of White Tundra Petroleum (“Tundra”) for consideration comprised of 18,000,000 common shares of the Corporation. Tundra’s 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 Interim Chief Executive Officer and a shareholder of Tundra (the “Related Director and Officer”).

As substantially all of the fair value of the acquired working interest is concentrated in a group of similar identifiable assets, the transaction has been accounted for as an asset acquisition whereby the net assets acquired are initially measured at cost, being the fair value of consideration.

Net assets acquired:

Cash	\$ 10,001
Due from Related Officer and Director	124,967
Other working capital	(990,012)
Property and equipment	6,360,309
Decommissioning obligation	(3,570,265)
Term loans (Note 12)	(1,395,000)
	\$ 540,000

Fair value of consideration:

18,000,000 common shares	\$ 540,000
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The results of Tundra have been consolidated in these financial statements from the August 29, 2025 acquisition date to September 30, 2025.

The preliminary estimates of fair value were made by management at the time of preparation of these unaudited condensed interim consolidated financial statements based on available information and may be adjusted as the amounts subject to estimates are finalized.

A performance-based bonus of 7,312,500 common shares (the “bonus shares”) of the Corporation will be issued to the Related Director and Officer as future compensation if Tundra achieves production of 128 boe/d for at least seven consecutive days within six months from the acquisition date. The bonus shares will be adjusted for Tundra’s operating income, prepaid expense and accounts payable difference from \$300,000 and other usual adjustments determined at the time the bonus shares become payable.

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

5. 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:

	September 30 2025	December 31 2024
Current		
Petroleum and natural gas marketers	\$ 1,523,306	\$ 1,690,201
Joint operating partners	47,768	184,347
Related Director and Officer (Note 4)	124,967	–
Other	17,577	–
	1,713,618	1,874,548
Non-current		
Joint operating partners	401,961	1,400,396
Other	57,224	275,856
	459,185	1,676,252
Total trade and other receivables	\$ 2,172,803	\$ 3,550,800

The aging of trade and other receivables is as follows:

	September 30 2025	December 31 2024
0 to 60 days	\$ 1,275,212	\$ 1,429,983
61 to 90 days	128,338	444,565
Over 90 days	769,253	1,676,252
Total trade and other receivables	\$ 2,172,803	\$ 3,550,800

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 September 30, 2025, three companies accounted for 80% 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 Consolidated Financial Statements

For the nine months ended September 30, 2025

(Unaudited, in Canadian dollars)

6. 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	6,173,000	—	6,173,000
Acquisition of Tundra (Note 4)	6,360,309	—	6,360,309
Working interest acquisition	2,015,806	—	2,015,806
Decommissioning revisions (Note 13)	(218,616)	—	(218,616)
Balance, September 30, 2025	\$ 84,123,781	\$ 830,203	\$ 84,953,984
Accumulated depletion and depreciation			
Balance, December 31, 2024	\$ 22,362,297	\$ 484,529	\$ 22,846,826
Depletion and depreciation	2,914,320	118,600	3,032,920
Balance, September 30, 2025	\$ 25,276,617	\$ 603,129	\$ 25,879,746
At December 31, 2024	\$ 47,430,985	\$ 345,674	\$ 47,776,659
At September 30, 2025	\$ 58,847,164	\$ 227,074	\$ 59,074,238

14% working interest acquisition

On September 15, 2025, the Corporation closed the acquisition of the remaining undivided 14% working interest in the Cuthbert area from an arm's length joint operating partner for consideration comprised of 6,654,450 common shares and 3,334,550 common share purchase warrants of the Corporation and forgiveness of the partner's joint operating receivables. The common share purchase warrants are exercisable at \$0.05 per share until September 15, 2028. These shares and warrants have not yet been issued and are subject to the approval of the TSXV. The effective date of the acquisition is January 1, 2025.

As substantially all of the fair value of the acquired working interest is concentrated in a group of similar identifiable assets, the transaction has been accounted for as an asset acquisition whereby the net assets acquired are initially measured at cost, being the fair value of consideration.

14% working interest acquired:

Petroleum and natural gas assets	\$	2,015,806
Deposit		23,551
Decommissioning obligation		(749,194)
	\$	1,290,163

Fair value of consideration:

6,654,450 common shares	\$	199,634
3,334,550 common share purchase warrants		63,419
Joint operating partner receivable forgiveness		1,027,110
	\$	1,290,163

The fair value of common shares was determined to be \$199,634 based on the \$0.03 per share market price of the Corporation's shares on the date of issuance. The \$63,419 fair value of common share purchase warrants was determined using the Black-Scholes pricing model based on the following assumptions:

Expected volatility	120%	Expected dividend yield	nil
Expected life	3 years	Risk-free interest rate	2.50%
Grant date share price	\$0.03	Fair value per warrant	\$0.02

Future development costs

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

The calculation of depletion for the nine months ended September 30, 2025 include estimated future development costs of \$50.7 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 nine months ended September 30, 2025 include \$127,000 (nine months ended September 30, 2024 – \$293,428) 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.

7. TRADE AND OTHER PAYABLES

The Corporation's trade and other payables consist of:

	September 30 2025	December 31 2024
Current		
Trade payables	\$ 16,389,757	\$ 14,422,427
Accrued liabilities and other payables	581,344	1,006,871
	16,971,101	15,429,298
Non-current		
Trade payables	1,595,854	1,483,735
	\$ 18,566,955	\$ 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 repayments. One vendor balance in the amount of \$2,107,319, of which \$611,465 is included in current trade payables and \$1,495,854 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. During the nine months ended September 30, 2025, the Corporation recognized a \$133,936 gain based on the estimated present value of the structured cash flows for which \$43,094 of accretion was included in net finance expense (Note 20).

8. LEASE LIABILITY

Balance, December 31, 2024	\$ 564,790
Imputed interest (Note 20)	32,408
Lease payments	(212,844)
Balance, September 30, 2025	\$ 384,354
Current	\$ 157,282
Non-current	227,072
	\$ 384,354

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

2025 (remainder)	\$ 71,196
2026	293,097
2027	49,291
	\$ 413,584

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

9. PROMISSORY NOTES

Balance, December 31, 2024	\$ 1,982,075
Issued (a) and (b)	1,612,500
Settlement of promissory notes (c) and (d)	(700,000)
Accretion	50,592
Amortization of transaction costs	2,852
<u>Loss on settlement of promissory notes (c) and (d)</u>	<u>5,263</u>
Balance, September 30, 2025	\$ 2,953,282

(a) On March 6, 2025, as settlement of a convertible debenture (Note 10), 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.

(b) On September 4, 2025, the Corporation received \$112,500 of cash proceeds on the issuance of a \$112,500 promissory note to a director of the Corporation. The promissory note bears 0% interest and matures on November 16, 2025.

(c) On September 14, 2025, the Corporation repaid a \$500,000 promissory note in cash and on September 19, 2025, the Corporation settled a \$100,000 promissory note through the issuance of a \$100,000 convertible debenture (Note 10). In connection with the promissory note settlements, the Corporation repaid \$62,011 of accrued interest and recognized a \$4,169 loss on settlement (Note 21).

(d) On September 15, 2025, the Corporation settled a \$100,000 promissory note through the issuance of a \$100,000 convertible debenture (Note 10). In connection with the promissory note settlement, the Corporation recognized a \$1,094 loss on settlement (Note 21).

The outstanding principal amount of promissory notes is as follows:

As at	September 30 2025	December 31 2024
8% Promissory Notes, maturing between February and April 2025	\$ 1,015,000	\$ 1,015,000
0% Promissory Note, maturing November 16, 2025	112,500	—
14% Promissory Notes, maturing November 25, 2025	80,000	80,000
12% Promissory Notes, maturing in December 2025	200,000	900,000
12% Promissory Notes, maturing March 6, 2026	1,500,000	—
	\$ 2,907,500	\$ 1,995,000

During the three and nine months ended September 30, 2025, the Corporation recognized \$95,972 and \$253,827 of interest expense (three and nine months ended September 30, 2024 – \$49,629 and \$148,889), respectively, and \$10,336 and \$53,444 of accretion and transaction cost amortization (three and nine months ended September 30, 2024 – \$26,532 and \$298,526), respectively (Note 20).

In October 2025, the 8% Promissory Notes were settled (Note 26).

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

10. CONVERTIBLE DEBENTURES

Balance, December 31, 2024	\$ 2,021,949
Interest expense	63,290
Settlement of convertible debentures (a)	(2,059,375)
Settlement of convertible debentures (d)	(103,913)
Issued (b) and (c)	1,750,000
Equity component of convertible debentures issued (b) and (c)	(330,542)
Accretion	13,067
<u>Loss on settlement of convertible debentures (d)</u>	<u>11,762</u>
Balance, September 30, 2025	1,366,238
Current portion	(362,644)
<u>Non-current portion</u>	<u>\$ 1,003,594</u>

(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 9);
- \$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 was settled on August 10, 2025 through the issuance of 8,984,371 common shares of the Corporation valued at \$269,531 based on the \$0.03 market price of the Corporation's shares on the date of the settlement agreement, resulting in the recognition of a \$89,844 gain on debt settlements (Note 21).

The Corporation recognized an additional \$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.

(b) In May and June 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 initial closing date of the 2-year Debenture financing.

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.

(c) In September 2025, the Corporation issued \$1,400,000 principal amount of three-year convertible debentures

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

(the “3-year Debentures”) of which \$200,000 was for the settlement of two promissory notes (Note 9) and \$1,200,000 was for cash proceeds. The 3-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 3-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 or third 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 \$0.05 per share for a period of three years from the initial closing date of the 3-year Debenture financing.

The debt portion of the 3-year Dentures was determined to be \$1,101,853 based on the present value of cash flows using a discount rate of 20%. The \$298,147 remainder was allocated to the equity component of the convertible debentures.

(d) On September 12, 2025, the Corporation repaid \$100,000 principal amount of 2-year Debentures (b) plus \$3,913 of accrued interest. The Corporation recognized \$2,127 net gain on debt settlements for the reversal of the \$13,889 equity component of the settled convertible debentures net of the \$11,762 unamortized portion (Note 21).

During the three and nine months ended September 30, 2025, the Corporation recognized \$17,524 and \$63,290, respectively, of interest expense and \$9,001 and \$13,067, respectively, of accretion and transaction cost amortization (three and nine months ended September 30, 2024 – \$9,266 and \$143,079, respectively, of interest and accretion) (Note 20).

11. GORR FINANCING

Balance, December 31, 2024	\$ 3,015,259
Amortization of transaction costs	1,400
Accretion	195,232
Balance, September 30, 2025	\$ 3,211,891

As at December 31, 2024 and September 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 September 30, 2025, the GORR was reported at an amortized cost of \$3,211,891 (December 31, 2024 – \$3,015,259).

During the three and nine months ended September 30, 2025, the Corporation recognized \$78,412 and \$196,632 (three and nine months ended September 30, 2024 – \$169,105 and \$507,087), respectively, of accretion transaction cost amortization (Note 20).

During the three and nine months ended September 30, 2025, the Corporation recognized \$26,215 and \$79,213 (three and nine months ended September 30, 2024 – \$25,085 and \$71,544), respectively, gross overriding royalties in royalties expense in the statements of loss and comprehensive loss.

PROSPERA ENERGY INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2025**

(Unaudited, in Canadian dollars)

12. TERM LOANS

Balance, December 31, 2024 (a)	\$ 12,157,803
Proceeds (a)	6,500,000
Acquisition of Tundra (Note 4)	1,395,000
Amortization of transaction costs	20,983
Balance, September 30, 2025	\$ 20,073,786

(a) 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 and bears interest at 12% per annum, calculated and payable monthly. 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 original term of the initial loan.

All amounts advanced under the term loan agreement (the "term loan") were originally scheduled to mature on July 3, 2026, at which time the principal amount was due in full. As at September 30, 2025, the lender agreed to extend the term loan maturity date by an additional 12 months to July 3, 2027. This extension forms part of an amendment to the existing term loan agreement which is currently being finalized.

In November and December 2024, the Corporation obtained two additional advances under the term loan agreement for \$500,000 and \$700,000.

During the nine months ended September 30, 2025, the Corporation obtained \$6,500,000 of additional advances under the term loan agreement.

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

(b) The Corporation acquired \$1,395,000 of unsecured term loans as part of the acquisition of Tundra (Note 4), of which \$645,000 represents the drawn portion of a \$1,000,000 revolving line of credit and \$750,000 represents a three- year term loan. The lenders are two former shareholders of Tundra, now shareholders of the Corporation.

The maturity date of the revolving credit facility is January 16, 2027. Amounts drawn on the revolving line of credit bear interest at 14% per annum; undrawn amounts are charged a stand-by fee of 2% per annum. Interest and standby fees are payable quarterly. Amounts drawn on the credit facility plus any accrued and unpaid interest and stand-by fees are repayable on the maturity date.

The three-year term loan bears interest at 14% per annum, payable quarterly. The principal amount of the term loan plus any accrued and unpaid interest is repayable on the maturity date of August 29, 2028.

During the three and nine months ended September 30, 2025, the Corporation recognized \$582,822 and \$1,458,937 (three and nine months ended September 30, 2024 – \$324,016), respectively, of interest expense and \$7,071 and \$20,983 of transaction cost amortization (three and nine months ended September 30, 2024 – \$4,688), respectively, on the term loan (Note 20).

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13. 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
Acquisition of Tundra (Note 4)	3,570,265
Working interest acquisition (Note 6)	749,194
Revisions	(218,616)
Expenditures	(811,076)
Accretion	529,518
Balance, September 30, 2025	23,078,140
Current portion	(987,438)
Non-current portion	\$ 22,090,702

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

Undiscounted cash flows	\$ 31,329,009
Discount rate	3.61%
Inflation rate	2.00%
Expected timing of cash flows	1 to 20 years

14. SHARE CAPITAL

Common shares	Number	Amount
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
Debt settlement (d)	8,984,371	269,531
Acquisition of Tundra (Note 4)	18,000,000	540,000
Balance issued, September 30, 2025	461,625,495	\$ 32,206,039
Shares to be issued		
Debt settlement (e)	2,000,000	80,000
Working interest acquisition (Note 6)	6,654,450	199,634
Balance, September 30, 2025	470,279,945	\$ 32,485,673

- (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.
- (d) On August 10, 2025, the Corporation received TSXV approval for the issuance of 8,984,371 common shares in respect of the settlement of convertible debenture interest (Note 10(a)).

PROSPERA ENERGY INC.

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(Unaudited, in Canadian dollars)

(e) On September 18, 2025, the Corporation settled a trade payable with a critical vendor totaling \$100,000 through the issuance of 2,000,000 common shares at a deemed price of \$0.05 per share for which the market price on the agreement date was \$0.04 per share. The settlement resulted in the recognition of a \$20,000 gain on debt settlement in the 2025 condensed interim statement of loss and comprehensive loss. These shares have not yet been issued and are subject to the approval of the TSXV.

15. SHARE PURCHASE WARRANTS

	Weighted average exercise price	Number	Amount
Balance issued, December 31, 2024	\$ 0.08	24,001,809	\$ 936,779
Working interest acquisition (Note 14(a))	0.10	3,076,923	–
Expired	(0.105)	(459,900)	(48,290)
Balance issued, September 30, 2025	\$ 0.06	26,618,832	\$ 888,489
Warrants to be issued			
12% Promissory Notes (a)	0.05	4,500,000	–
Working interest acquisition (Note 6)	0.05	3,334,550	63,419
Balance, September 30, 2025	\$ 0.06	34,453,382	\$ 951,908

(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 issued and exercisable at September 30, 2025 is as follows:

Expiry date	Exercise price	Number	Weighted average contractual life remaining (years)
February 14, 2026	\$ 0.060	13,363,000	0.38
February 14, 2026	0.090	1,967,000	0.38
November 15, 2025	0.130	211,909	0.13
December 31, 2025	0.050	3,000,000	0.25
March 3, 2026	0.050	2,000,000	0.42
May 31, 2026	0.050	3,000,000	0.67
March 19, 2027	0.100	3,076,923	1.47
	\$ 0.064	26,618,832	0.53

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16. 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, September 30, 2025	\$ 0.07	8,689,708

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 September 30, 2025 is as follows:

Exercise price	Number outstanding	Number exercisable	Weighted average contractual life
			remaining (years)
\$ 0.05	2,650,000	2,650,000	2.20
0.06	2,885,000	577,000	3.76
0.07	200,000	40,000	3.89
0.075	791,668	525,001	2.48
0.095	50,000	50,000	2.17
0.10	350,000	350,000	2.75
0.11	400,000	300,000	2.47
0.12	15,000	12,000	2.99
0.125	1,348,040	1,348,040	0.61
\$ 0.07	8,689,708	5,852,041	2.57

17. LOSS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Loss for the period	\$ (1,972,052)	\$ (1,285,725)	\$ (4,699,621)	\$ (1,864,192)
Basic weighted average number of shares	445,882,461	426,954,767	436,807,380	424,797,150
Loss per share - basic	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

The effect of share purchase warrants and stock options is anti-dilutive in loss periods.

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(Unaudited, in Canadian dollars)

18. 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 September 30		Nine months ended September 30	
	2025	2024	2025	2024
Petroleum sales	\$ 5,269,987	\$ 4,723,913	\$ 14,750,009	\$ 13,727,611
Natural gas sales	7,877	3,795	28,867	79,663
	\$ 5,277,864	\$ 4,727,708	\$ 14,778,876	\$ 13,807,274

All of the Corporation's petroleum and natural gas sales were generated in Saskatchewan and Alberta. During the three and nine months ended September 30, 2025, petroleum and natural gas sales were primarily to ten (three and nine months ended September 30, 2024 – six) major customers.

As at September 30, 2025, total receivables from contracts with customers which are included in accounts receivable from petroleum and natural gas marketers (Note 5), were \$1,938,101 (December 31, 2024 – \$3,090,597).

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Salaries and benefits	\$ 273,925	\$ 493,571	\$ 943,828	\$ 1,293,112
Professional fees	271,395	239,097	716,360	635,024
Shareholder and regulatory	55,644	153,662	136,960	496,297
Office and general	165,591	157,993	439,843	420,066
Overhead recoveries	(23,500)	(84,742)	(127,000)	(293,427)
	\$ 743,055	\$ 959,581	\$ 2,109,991	\$ 2,551,072

20. FINANCE EXPENSE, NET

	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Finance fees on trade receivables	\$ 122,708	\$ 140,417	\$ 349,384	\$ 450,585
Imputed interest on lease liability (Note 8)	9,455	14,639	32,408	47,078
Promissory notes (Note 9)	106,308	76,161	307,271	447,415
Convertible debentures (Note 10)	26,525	9,266	76,357	143,079
GORR financing (Note 11)	78,412	169,105	196,632	507,087
Term loan (Note 12)	589,893	328,704	1,479,920	328,704
Vendor interest and accretion (Note 7)	132,192	164,089	239,584	164,089
Other interest and bank charges	26,741	261,171	47,209	294,258
Interest and other income	(155,608)	(13,502)	(483,279)	(62,188)
	\$ 936,626	\$ 1,150,050	\$ 2,245,486	\$ 2,320,107

PROSPERA ENERGY INC.

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21. GAIN ON DEBT SETTLEMENTS, NET

(Gain) loss	Three months ended September 30		Nine months ended September 30	
	2025	2024	2025	2024
Finance arrangement on trade payables (Note 7)	\$ (133,936)	\$ –	\$ (133,936)	\$ –
Settlement of promissory notes (Note 9)	5,263	–	5,263	–
Equity component of settled convertible debentures (Note 10)	(13,889)	–	(42,040)	–
Settlement of convertible debentures (Note 10)	11,762	–	11,762	–
Settlement of convertible debenture interest (Note 10)	(89,844)	–	(89,844)	–
Settlement of trade payables (Note 14)	(20,000)	(11,092)	(45,000)	(11,092)
	\$ (240,644)	\$ (11,092)	\$ (293,795)	\$ (11,092)

22. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Corporation had the following transactions with related parties, in the normal course of business and recorded at the exchange amount:

During the three and nine months ended September 30, 2025, the Corporation was charged \$101,790 and \$187,719 (three and nine months ended September 30, 2024 – \$290,844 and \$801,153), respectively, by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at September 30, 2025, trade and other payables included \$42,438 (December 31, 2024 – \$nil) due to this related party.

During the three and nine months ended September 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 9) due to a company controlled by a director of the Corporation. As at September 30, 2025, trade and other payables included \$13,885 (December 31, 2024 – \$nil) due to this related party.

23. CHANGE IN NON-CASH WORKING CAPITAL

For the nine months ended September 30	2025	2024
Trade and other receivables	\$ 333,809	\$ (1,832,693)
Prepaid expenses and deposits	(124,082)	(157,248)
Deposits	(27,271)	(44,137)
Inventory	(557,649)	(416,644)
Trade and other payables	728,810	(3,659,900)
	\$ 353,617	\$ (6,110,622)

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

For the nine months ended September 30	2025	2024
Operating activities	\$ 127,771	\$ (6,110,622)
Investing activities	225,846	–
	\$ 353,617	\$ (6,110,622)

PROSPERA ENERGY INC.

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24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Corporation holds various financial instruments at September 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 September 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
Trade and other payables (Note 7)	18,566,955	18,808,921	16,971,101	1,837,820
Lease liability (Note 8)	384,354	413,584	291,019	122,565
Promissory notes (Note 9)	2,953,282	2,907,500	2,907,500	–
Convertible debentures (Note 10)	1,366,238	1,775,864	212,362	1,563,502
GORR financing (Note 11)	3,211,891	3,386,382	3,386,382	–
Term loans (Note 12)	20,073,786	20,095,000	–	20,095,000
	46,556,506	47,387,251	23,768,364	23,618,887

(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.

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 nine months ended September 30, 2025.

	September 30 2025	December 31 2024
Working capital deficit	\$ (16,844,802)	\$ (17,569,867)
Shareholders' deficit	\$ (4,961,637)	\$ (1,980,791)

25. 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 September 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 September 30, 2025 and December 31, 2024 as the result of this claim is unknown and

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Notes to the Condensed Interim Consolidated Financial Statements

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expected to be immaterial.

26. SUBSEQUENT EVENTS

Subsequent to September 30, 2025, the Corporation settled accounts payable due to multiple vendors totalling \$234,144 through the issuance of 4,928,571 common shares. The issuance of these common shares is subject to the approval of the TSXV.

On October 17, 2025, a \$1,000,000 principal amount of 8% promissory note (Note 9) plus accrued interest was extinguished through a \$937,917 cash payment.

On October 22, 2025, a \$15,000 principal amount of 8% promissory note plus accrued interest was extinguished through the issuance of a 3-year Debenture (Note 10(c)) in the principal amount of \$17,580.

In November 2025, the Corporation obtained an additional \$1,000,000 advance under the term loan agreement (Note 12(a)).