



PROSPERA ENERGY INC.
Condensed Consolidated Interim Financial Statements
As at and for the three months ended March 31, 2026
(Unaudited)

**Notice of No Auditor Review of
Condensed Consolidated Interim 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 financial statements as at and for the three months ended March 31, 2026.

PROSPERA ENERGY INC.**Condensed Consolidated Interim Statements of Financial Position**

(unaudited)

(in Canadian dollars)

As at	Note	March 31 2026	December 31 2025
			Audited
ASSETS			
Current			
Cash		\$ 215,600	\$ 116,972
Trade and other receivables	4	2,132,366	1,525,300
Prepaid expenses and deposits		279,934	296,143
Inventory		845,201	932,350
Total current assets		3,473,101	2,870,765
Non-current			
Trade and other receivables	4	16,604	68,356
Deposits		1,412,735	1,315,673
Property and equipment	5	54,497,517	54,749,740
Total assets		\$ 59,399,957	\$ 59,004,534
LIABILITIES			
Current			
Trade and other payables	6	\$ 15,003,330	\$ 17,054,628
Current portion of lease liability	7	253,493	273,427
Promissory notes	8	1,500,000	1,892,500
GORR financing	10	3,015,820	2,942,198
Term loan	11	22,081,811	19,685,684
Current portion of decommissioning obligation	12	667,077	667,077
Total current liabilities		42,521,531	42,515,514
Non-current			
Trade and other payables	6	1,095,730	1,037,104
Lease liability	7	–	46,760
Convertible debentures	9	2,399,988	2,873,537
GORR financing	10	304,935	302,485
Term loan	11	–	1,350,000
Decommissioning obligation	12	21,526,110	21,416,253
Total liabilities		67,848,294	69,541,653
SHAREHOLDERS' DEFICIT			
Share capital	13	36,563,411	33,105,787
Share purchase warrants	14	1,571,479	819,438
Contributed surplus		6,278,654	5,680,610
Equity portion of convertible debentures	9	753,999	991,012
Deficit		(53,615,880)	(51,133,966)
Total shareholders' deficit		(8,448,337)	(10,537,119)
Total liabilities and shareholders' deficit		\$ 59,399,957	\$ 59,004,534
Going concern (Note 2)			
Contingencies (Note 25)			
Subsequent event (Note 26)			

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

PROSPERA ENERGY INC.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(unaudited)

(in Canadian dollars)

For the three months ended March 31	Note	2026	2025
Revenues			
Petroleum and natural gas sales	17	\$ 4,522,137	\$ 4,598,472
Royalties		(574,227)	(435,115)
Net revenues		3,947,910	4,163,357
Expenses			
Operating		3,234,857	3,536,091
General and administrative	18	754,608	691,013
Depletion and depreciation	5	908,029	938,440
Accretion	12	200,964	151,802
Share-based compensation	15	18,201	18,237
Total expenses		5,116,659	5,335,583
Loss from operations		(1,168,749)	(1,172,226)
Finance expense, net	19	1,435,329	623,642
Gain on debt settlements	20	(122,164)	(53,151)
Loss and comprehensive loss		\$ (2,481,914)	\$ (1,742,717)
Loss per share			
Basic and diluted	16	\$ (0.01)	\$ (0.00)

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

PROSPERA ENERGY INC.**Condensed Consolidated Interim Statements of Changes in Shareholders' Deficit**

(unaudited)

(in Canadian dollars)

For the three months ended March 31	Note	2026	2025
Share capital			
Balance, Beginning of period		\$ 33,105,787	\$ 31,346,508
Shares issued	13	703,726	—
Shares issued on settlement of debt	13	2,753,898	50,000
Balance, End of period		36,563,411	31,396,508
Share purchase warrants			
Balance, Beginning of period		819,438	936,779
Warrants issued	14	1,331,884	—
Warrants expired	14	(579,843)	(48,290)
Balance, End of period		1,571,479	888,489
Contributed surplus			
Balance, Beginning of period		5,680,610	5,517,427
Warrants expired	14	579,843	48,290
Share-based compensation	15	18,201	18,237
Balance, End of period		6,278,654	5,583,954
Equity portion of convertible debentures			
Balance, Beginning of period		991,012	28,151
Settlement of convertible debentures	9	(237,013)	(28,151)
Issue of convertible debentures		—	11,561
Balance, End of period		753,999	11,561
Deficit			
Balance, Beginning of period		(51,133,966)	(39,809,656)
Loss for the period		(2,481,914)	(1,742,717)
Balance, End of period		(53,615,880)	(41,552,373)
Total shareholders' deficit		\$ (8,448,337)	\$ (3,671,861)

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

PROSPERA ENERGY INC.**Condensed Consolidated Interim Statements of Cash Flows**

(unaudited)

(in Canadian dollars)

For the three months ended March 31	Note	2026	2025
Cash flows provided by (used in) operating activities			
Loss for the period		\$ (2,481,914)	\$ (1,742,717)
Items not affecting cash:			
Depletion and depreciation	5	908,029	938,440
Accretion	12	200,964	151,802
Share-based compensation		18,201	18,237
Finance expense	19	1,435,329	623,642
Gain on debt settlements	20	(122,164)	(53,151)
Funds flow used in operations		(41,555)	(63,747)
Decommissioning expenditures	12	(4,170)	–
Change in non-cash working capital	22	(517,235)	(532,769)
Net cash flows used in operating activities		(562,960)	(596,516)
Cash flows provided by (used in) financing activities			
Lease payments	7	(72,220)	(68,404)
Proceeds from term loan	11	650,000	3,300,000
Repayment of promissory notes	8	(210,000)	
Issuance of units		1,216,390	
Interest paid	19	(180,333)	(387,678)
Net cash flows provided by financing activities		1,403,837	2,843,918
Cash flows used in investing activities			
Property and equipment expenditures	5	(742,742)	(2,524,720)
Change in non-cash working capital	22	493	58,667
Net cash flows used in investing activities		(742,249)	(2,466,053)
Change in cash		98,628	(218,651)
Cash, beginning of period		116,972	364,083
Cash, end of period		\$ 215,600	\$ 145,432

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

PROSPERA ENERGY INC.

Notes to the Condensed Consolidated Interim Financial Statements

For three months ended March 31, 2026 and 2025

(unaudited)

(in Canadian dollars)

1. NATURE OF OPERATIONS

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 (“TSXV”) 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Corporation will continue to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has historically met its working capital requirements and funded its capital and operating expenditure through funding received from the proceeds of share issuances and debt.

As at March 31, 2026, the Corporation has a working capital deficiency of \$39,048,429 (December 31, 2025 – \$39,644,749), and an accumulated deficit of \$53,615,880 (December 31, 2025 – \$51,133,966).

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.

The Corporation’s ability to realize its assets and discharge its liabilities depends on its ability to produce its petroleum and natural gas reserves, manage its expenditures, and maintain adequate financing from shareholders and lenders. 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.

These financial statements do not reflect adjustments in the carrying values of the assets and liabilities and the statements of financial position classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee and adhere to the guidance of International Accounting Standard 34 and the adoption of amendments to IFRS 7/9 and the future accounting pronouncement of IFRS 18 – Interim Financial Reporting. Certain information and disclosures included in the December 31, 2025 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 consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2025.

Functional and presentation currency

The Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries.

PROSPERA ENERGY INC.**Notes to the Condensed Consolidated Interim Financial Statements****For three months ended March 31, 2026 and 2025**

(unaudited)

(in Canadian dollars)

Basis of consolidation

The Condensed Consolidated Interim Financial Statements include the accounts of Prospera Energy Inc. and its wholly owned subsidiary, White Tundra.

Use of judgments and assumptions

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses for the reporting period. These judgments, estimates, and assumptions are based on current data and relevant information available to the Corporation at the time of preparation. Accordingly, actual results may differ from these estimates as future confirming events occur.

The unaudited condensed consolidated interim financial statements were authorized for issuance by the Corporation's Board of Directors on May 27, 2026

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:

	March 31 2026	December 31 2025
Current		
Petroleum and natural gas marketers	\$ 2,007,399	\$ 1,331,897
Joint operating partners		45,008
Related Director and Officer (Note 6)	124,967	124,967
Other		23,428
	2,132,366	1,525,300
Non-current		
Joint operating partners		16,300
Other	16,604	52,056
	16,604	68,356
Total trade and other receivables	\$ 2,148,970	\$ 1,593,656

The aging of trade and other receivables is as follows:

	March 31 2026	December 31 2025
0 to 60 days	\$ 2,007,399	\$ 1,355,583
61 to 90 days		-
Over 90 days	141,571	238,073
Total trade and other receivables	\$ 2,148,970	\$ 1,593,656

The Corporation's production is sold to multiple purchasers under normal industry sales and payment terms. Trade and other receivables are due 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 aged over 90 days are due from joint operating partners. Under the underlying Joint Operating Agreements, the Corporation may withhold net profits attributable to a partner's working interest or, where applicable, reduce the partner's working interest in satisfaction of outstanding receivables. The Corporation has not historically experienced any significant collection issues with trade and other receivables.

PROSPERA ENERGY INC.**Notes to the Condensed Consolidated Interim Financial Statements****For three months ended March 31, 2026 and 2025**

(unaudited)

(in Canadian dollars)

As at March 31, 2026, two customers each accounted for more than 10% of trade and other receivables, representing 87% of the total balance in aggregate (December 31, 2025 — two customers, 81% in aggregate).

During the three months ended March 31, 2026, the Corporation incurred \$109,502 (three months ended March 31, 2025 — \$110,594) of finance charges in respect of the non-recourse factoring of a portion of its trade and other receivables.

5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Total property and equipment
Cost			
Balance, December 31, 2025	\$ 85,080,339	\$ 830,203	\$ 85,910,542
Additions	742,742	—	742,742
Decommissioning revisions (Note 12)	(86,937)	—	(86,937)
Balance, March 31, 2026	\$ 85,736,144	\$ 830,203	\$ 86,566,347
Accumulated depletion, depreciation and impairment			
Balance, December 31, 2025	\$ 30,518,139	\$ 642,663	\$ 31,160,802
Depletion and depreciation	868,493	39,536	908,029
Balance, March 31, 2026	\$ 31,386,632	\$ 682,198	\$ 32,068,830
Carrying value			
At December 31, 2025	\$ 54,562,200	\$ 187,540	\$ 54,749,740
At March 31, 2026	\$ 54,349,510	\$ 148,006	\$ 54,497,517

In accordance with IAS 36, the Corporation assessed at March 31, 2026 whether there were any indicators that an asset or cash-generating unit ("CGU") may be impaired, and whether the impairment losses recognized in 2025 in respect of the Red Earth, Pouce Coupe, Brooks, and Loyalist CGUs may no longer exist or may have decreased. In performing this assessment, management considered external indicators, including movements in forecast crude oil and natural gas prices, changes in the discount rate, market interest rates, and the regulatory environment, as well as internal indicators, including changes in proved plus probable reserves, actual operating performance relative to budget, and the Corporation's capital expenditure and development plans. Based on this assessment, management did not identify any indicators of impairment, or of reversal of previously recognized impairment, as at March 31, 2026, and accordingly no impairment test was performed during the three months ended March 31, 2026.

Future development costs

As at March 31, 2026, the calculation of depletion included estimated future development costs of \$60.9 million (December 31, 2025 – \$60.9 million) associated with the development of the Corporation's proved plus probable reserves.

Overhead recoveries

Cash additions for the three months ended March 31, 2026 include \$ nil (three months ended March 31, 2025 – \$68,250) 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:

	March 31 2026	December 31 2025

PROSPERA ENERGY INC.**Notes to the Condensed Consolidated Interim Financial Statements****For three months ended March 31, 2026 and 2025**

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(in Canadian dollars)

Current		
Trade payables	\$ 14,683,213	\$ 16,683,313
Accrued liabilities and other payables	320,117	371,315
	15,003,330	17,054,628
Non-current		
Trade payables	1,095,730	1,037,104
	\$ 16,099,060	\$ 18,091,732

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

Non-current trade payables represent vendor balances for which the Corporation has agreed structured monthly repayment arrangements: As at March 31, 2026,

- Vendor A: balance in the amount of \$606,141 (December 31, 2025 — \$2,226,772). Bears interest at 9.9% per annum, calculated monthly, and is repayable in monthly instalments of combined principal and interest of \$100,000 from January 2026 to July 2026 and \$150,000 from August 2026 to December 2026.
- Vendor B: balance in the amount of \$489,589 (December 31, 2025 — \$nil). Bears interest at 6.45% per annum, calculated monthly, and is repayable in monthly instalments of combined principal and interest of \$25,000 from February 2026 to November 2028.

7. LEASE LIABILITY

Balance, December 31, 2025	\$ 320,187
Imputed interest (Note 19)	5,526
Lease payments	(72,220)
Balance, March 31, 2026	\$ 253,493
Current	\$ 253,493
Non-current	-
	\$ 253,493

The Corporation incurs lease payments related to office premises for which the related lease expires on February 28, 2027. As at March 31, 2026, the remaining minimum lease payments in each calendar year are as follows:

2026 (remainder)	\$ 219,823
2027	49,376
	\$ 269,199

8. PROMISSORY NOTES

Balance, December 31, 2025	\$ 1,892,500
Repayments (a) – (b)	(210,000)
Settlement of promissory notes (c) – (d)	(182,500)
Balance, March 31, 2026	1,500,000
Current portion	(1,500,000)
Non-current portion	\$ -

Settled

PROSPERA ENERGY INC.**Notes to the Condensed Consolidated Interim Financial Statements****For three months ended March 31, 2026 and 2025**

(unaudited)

(in Canadian dollars)

- (a) On February 10, 2026, the Corporation repaid a \$10,000 14% Promissory Note in full in cash. No gain or loss was recognized on settlement.
- (b) On March 16, 2026, the Corporation repaid a \$200,000 12% Promissory Note in full in cash. No gain or loss was recognized on settlement.
- (c) On March 8, 2026, the Corporation agreed to settle outstanding 14% promissory notes with an aggregate principal amount of \$70,000 plus accrued interest of \$16,550 through the issuance of 2,472,850 units under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of issuance. The aggregate carrying amount of the promissory notes plus accrued interest extinguished totaled \$86,550, which was equal in aggregate to the fair value of the equity instruments issued — allocated between the common share component (at market) and the share purchase warrant component (at Black-Scholes-Merton fair value) using the relative fair value method applied to the \$0.035 per unit subscription price. Accordingly, no gain or loss was recognized on settlement (Notes 13 and 14).
- (d) On March 3, 2026, the Corporation agreed to settle the 2025 0% promissory note with a principal amount of \$112,500 (which had matured on November 16, 2025) through the issuance of 3,214,286 units under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of issuance. The aggregate carrying amount of the promissory note extinguished totaled \$112,500, which was equal in aggregate to the fair value of the equity instruments issued (allocated using the relative fair value method as described in (c) above). Accordingly, no gain or loss was recognized on settlement (Notes 13 and 14). As the holder of the note is a director of the Corporation, this settlement is a related party transaction (Note 21).

The outstanding principal amount of promissory notes is as follows:

	March 31 2026	December 31 2025
0% Promissory Notes, maturing November 16, 2025	\$ –	\$ 112,500
14% Promissory Notes, maturing November 25, 2025	–	80,000
12% Promissory Notes, maturing in December 2025	–	200,000
12% Promissory Notes, maturing March 26, 2026	1,500,000	1,500,000
	\$ 1,500,000	\$ 1,892,500

During the three months ended March 31, 2026, the Corporation recognized \$50,301 of interest expense (three months ended March 31, 2025 – \$91,113) on promissory notes (Note 19).

9. CONVERTIBLE DEBENTURES

	Liability component	Equity component
Balance, December 31, 2025	\$ 2,873,537	991,012
Accretion	79,735	–
Interest	147,215	–
Settlement of convertible debentures (a)	(700,499)	(237,013)
Balance, March 31, 2026	2,399,988	753,999
Current portion	–	–
Non-current portion	\$ (2,399,988)	(753,999)

Between June and December 2025, the Corporation issued convertible debentures with an aggregate principal amount of \$3,627,580. The financing received final TSX Venture Exchange acceptance on

PROSPERA ENERGY INC.

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December 12, 2025. The convertible debentures mature on December 12, 2028 and bear interest at 12% per annum, calculated quarterly and payable at the earlier of the maturity date or the conversion date. At the Corporation's discretion, interest may be paid in cash or in common shares of the Corporation issued at the market price prevailing on the payment date.

The principal amount is convertible into units of the Corporation at a conversion price of \$0.05 per unit if converted on or before December 12, 2026, or \$0.10 per unit if converted between December 13, 2026 and December 12, 2028. The Corporation has the right to force conversion in the event the Corporation's common shares trade at a price of \$0.125 or above for a period of ten or more consecutive trading days. Upon conversion, each unit comprises one common share of the Corporation and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the closing date of the convertible debenture financing.

On March 11, 2026, the Corporation settled outstanding convertible debentures with an aggregate principal amount of \$867,580 into 17,351,600 common shares and 17,351,600 common share purchase warrants under the March 11, 2026 non-brokered private placement (Note 13(c)). Each unit comprised one common share of the Corporation and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of issuance. The Black-Scholes-Merton model was used to estimate the fair value of the warrant component, using the following assumptions: share price \$0.035, exercise price \$0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years. (Notes (13), (14)).

During the three months ended March 31, 2026, the Corporation recognized \$ 147,215 of interest expense and \$79,735 of accretions (three months ended March 31, 2025 – \$37,754) on convertible debentures.

10. GORR FINANCING

Balance, December 31, 2025	\$ 3,244,683
Accretion	74,006
Amortization of transaction costs	2,066
Balance, March 31, 2026	\$ 3,320,755
Current portion	(3,015,820)
Non-current portion	\$ (304,935)

2024 GORR financing

On June 1, 2024, the Corporation sold an aggregate 0.7% GORR on petroleum and natural gas sales, capped at 1,363 barrels per day calculated on a monthly average, from all of the Corporation's properties, for total consideration of \$3,363,495 comprised of the transfer of \$2,503,000 of promissory note principal (Note 11) and \$248,180 of accrued interest promissory note interest included in trade and other payables and \$612,315 of cash. Related transaction costs were \$3,500. 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.

On September 30, 2025, the Corporation amended the terms of \$300,000 principal amount of the 2024 GORR (representing a 0.06% GORR) as follows:

- the royalty repurchase date was extended from April 15, 2026 to September 30, 2028;
- the GORR rate was increased to 0.132% on petroleum and natural gas sales, subject to a cap of 1,363 barrels per day calculated on a monthly average basis;
- the repurchase price was revised from 120% of the original purchase price to the greater of (i) \$300,000 and (ii) seven times the average monthly GORR payment for the prior six months, annualized; and

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- a conversion option was added, under which all or a portion of the \$300,000 principal amount may be converted into units at \$0.07 per unit (if converted in the first year) or \$0.10 per unit (if converted in the second or third year). The Corporation has the right to force conversion in the event that the Corporation's common shares trade at \$0.125 or above for a period of ten or more consecutive trading days. Upon conversion, each unit will comprise one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of conversion.

As at March 31, 2026, the 2024 GORR had an aggregate outstanding principal amount of \$2,821,985, representing a 0.7% GORR on petroleum and natural gas revenue from all of the Corporation's properties. The repurchase terms in respect of the \$300,000 amended portion are described above. With respect to the remaining \$2,521,985 unamended portion, the Corporation may repurchase the GORR at 118% of the original purchase price on or before February 1, 2026, or mandatorily at 120% of the original purchase price on or before April 15, 2026.

As at March 31, 2026, the GORR was carried at an amortized cost of \$3,320,755 (December 31, 2025 — \$3,244,683).

During the three months ended March 31, 2026, the Corporation recognized \$74,006 of accretion and \$2,066 transaction cost amortization (three months ended March 31, 2025 — \$87,032 and \$461) on the GORR financing (Note 19).

11. TERM LOAN

Balance, December 31, 2025 (notes (a), (b), (c), (d))	\$ 21,035,684
Proceeds	650,000
Capitalization of accrued interest under 9th Amendment (note(b))	389,465
Amortization of transaction costs	6,662
Balance, March 31, 2026	\$ 22,081,811

- (a) On July 3, 2024, the Corporation closed an \$11,000,000 debt financing with a company owned by a shareholder of the Corporation who, at the date of the agreement, owned 43,000,000 common shares (representing 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. Under the terms of the agreement, the proceeds are required to be applied to capital development expenditures.

As at March 31, 2026, the total balance drawn under the term loan facility was \$20,739,465 (December 31, 2025 — \$19,700,000). The effective rate of interest in 2026 was 12% (2025 — 12%).

The Corporation incurred \$53,956 of transaction costs in connection with the original loan, which are being amortized to finance expense over the original term of the loan.

The term loan was originally scheduled to mature on May 31, 2026, with the entire principal amount due at maturity.

- (b) On March 27, 2026, the Corporation closed the 9th Amendment to the term loan agreement, under which accrued interest for the months of January and February 2026 totaling \$389,465 was capitalized to the principal balance of the loan in lieu of cash settlement. This amendment is consistent with the pattern of interest deferrals and capitalizations granted by the lender during the year ended December 31, 2025 and reflects the Corporation's continued reliance on non-cash accommodations to manage its term loan interest obligations.

As at March 31, 2026, the balance drawn under the original term loan facility was \$20,731,811 (December 31, 2025 — \$19,685,684). During the three months ended March 31, 2026, the Corporation

PROSPERA ENERGY INC.**Notes to the Condensed Consolidated Interim Financial Statements****For three months ended March 31, 2026 and 2025**

(unaudited)

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recognized \$594,986 of interest expense and \$6,662 of transaction cost amortization (three months ended March 31, 2025 — \$394,422 and \$6,918, respectively) on the original term loan facility (Note 19).

- (c) In connection with the acquisition of White Tundra Petroleum on August 29, 2025, the Corporation assumed \$1,350,000 aggregate principal amount of secured loans bearing interest at 14% per annum, with quarterly principal and interest payments commencing July 1, 2026 and maturing on January 16, 2027.

During the three months ended March 31, 2026, the Corporation recognized \$64,210 of interest expense (three months ended March 31, 2025 — \$nil) on these loans (Note 19).

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, 2025	\$ 22,083,330
Revisions	(86,937)
Expenditures	(4,170)
Accretion	200,964
Balance, March 31, 2026	22,193,187
Current portion	(667,077)
Non-current portion	\$ 21,526,110

The following significant assumptions were used to estimate the decommissioning obligation at March 31, 2026:

Undiscounted cash flows	\$ 36,673,976
Discount rate	2.96% - 3.88%
Inflation rate	2.00%
Expected timing of cash flows	1 to 46 years

13. SHARE CAPITAL

Common shares	Number	Amount
Balance issued, December 31, 2025	463,252,995	\$ 32,270,727
Shares to be issued		
Shares issued on settlement of accounts payable (b)	13,232,243	635,426
Shares issued for working interest acquisition (a)	5,703,814	199,634
Total share capital, December 31, 2025	482,189,052	33,105,787
Shares issued for working interest acquisition (a)	5,703,814	199,634
Shares issued under PP11- cash subscription (c)	34,753,994	703,726
Shares issued under PP11- debt conversion (c)	38,242,781	814,845
Shares issued under PP11- trade payable settlement (c)	3,428,571	69,424
Shares issued on settlement of accounts payable (b)	6,684,231	348,008
Balance issued, March 31, 2026	552,066,386	34,406,364
Shares to be issued		
Shares to be issued under PP11- services payable settlement (c)	9,288,937	188,090
Shares to be issued on settlement of accounts payable	52,889,098	1,968,957

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(b)(d)		
Total share capital, including shares to be issued,		
March 31, 2026	614,244,421	36,563,411

- (a) 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, consolidating the Corporation's working interest in the Cuthbert properties to 100%. The original acquisition consideration of \$1,290,163 comprised 5,703,814 common shares at a fair value of \$0.035 per share (\$199,634), on February 27, 2026, the Corporation received TSXV Venture Exchange acceptance and issued the shares.
- (b) Settlement of accounts payable. In December 2025, the Corporation agreed to settle accounts payable owing to vendors with an aggregate amount of \$635,426 through the issuance of 13,232,243 common shares at a deemed price of \$0.05 per share. Of this amount, \$268,475 was recognized as settled during the year ended December 31, 2025, with the related shares classified within "Shares to be issued" as at December 31, 2025 pending TSX Venture Exchange acceptance. As at March 31, 2026, 5,093,571 of these common shares had been issued.

On March 24, 2026, the Corporation agreed to settle further accounts payable owing to vendors with an aggregate amount of \$79,533 through the issuance of 1,590,660 common shares at a deemed price of \$0.05 per share. This amount was recognized as settled during the three months ended March 31, 2026.

Across both arrangements, accounts payable with an aggregate carrying amount of \$348,008 were extinguished. The fair value of the common shares issued was determined by reference to the closing trading price of the Corporation's common shares on the TSX Venture Exchange on each settlement date. An aggregate gain of \$15,907 was recognized in profit or loss across the two periods, representing the difference between the aggregate carrying amount of the accounts payable extinguished and the aggregate fair value of the common shares issued.

- (c) During the three months ended March 31, 2026, the Company completed a non-brokered private placement ("PP11") for aggregate gross proceeds of \$3,000,000 through the issuance of 85,714,283 units (each, a "PP11 Unit") at a price of \$0.035 per PP11 Unit. Each PP11 Unit consists of one common share (a "PP11 Share") and one common share purchase warrant (a "PP11 Warrant"). Each PP11 Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.05 per common share for a period of three years from the date of issuance. The PP11 share component allocation reflects the application of the residual method at share and warrant, consistent with Black-Scholes-Merton inputs at March 11, 2026. The PP11 subscription comprised:
- \$1,216,390 in cash proceeds (34,753,994 units);
 - \$1,338,497 through the conversion of outstanding indebtedness into 38,242,781 PP11 units, comprising convertible debentures (Note 9), a portion of the outstanding principal and accrued interest on promissory notes (Note 8) and accrued interest amounts owing under a 2024 line of credit (Note 8);
 - \$120,000 through settlement of trade payables with two vendors (3,428,571 units); and
 - \$325,113 through settlement of services payable to a vendor (9,288,937 units), the issuance of which remained subject to TSX Venture Exchange acceptance as at March 31, 2026 and is therefore included within 'Shares to be issued' and 'Warrants to be issued' respectively.

The \$0.035 per unit subscription price was allocated between the common share component (recorded in Share capital) and the common share purchase warrant component (recorded in Share purchase warrants — Note 14) using the residual method. The Black-Scholes-Merton model was used to estimate the fair value

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of the warrant component, using the following assumptions: share price \$0.035, exercise price \$0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years.

(d) Shares to be issued — accounts payable settlement. As at March 31, 2026, the Corporation had agreed to issue an aggregate of 52,889,098 common shares in settlement of accounts payable owing to vendors, comprising:

- 7,763,672 common shares representing the unissued portion of the 13,232,243-share commitment entered into in December 2025 (refer to Note 13(b)); and
- 45,125,426 common shares in respect of additional settlement arrangements entered into during the three months ended March 31, 2026, at a deemed price of \$0.035 per share, resulting in a gain on settlement of \$122,164.

None of the foregoing shares had been issued as at March 31, 2026 pending TSX Venture Exchange acceptance.

14. SHARE PURCHASE WARRANTS

Issued	Weighted average exercise price	Number	Amount
Balance, December 31, 2025	\$ 0.07	23,406,923	\$ 819,438
Working interest acquisition (a)	0.05	2,000,000	38,037
Warrants issued under PP11- cash (b)	0.05	34,753,994	512,664
Warrants issued under PP11- debt (b)	0.05	38,242,781	593,584
Warrants issued under PP11- trade (b)	0.05	3,428,571	50,576
Expired (c)	0.06	(17,330,000)	(579,843)
Balance issued, March 31, 2026	0.05	87,836,819	1,434,456
Warrants to be issued			
Warrants to be issued under PP11- trade (b)	0.05	9,288,937	137,023
Balance, March 31, 2026, including warrants to be issued	\$ 0.05	97,125,756	\$ 1,571,479

(a) 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, consolidating the Corporation's working interest in the Cuthbert properties to 100%. The original acquisition consideration of \$1,290,163 comprised 5,703,814 common shares at a fair value of \$0.035 per share (\$199,634), 3,334,550 common share purchase warrants at a fair value of \$0.019 per warrant (\$63,419), and the forgiveness of \$1,027,110 of joint operating receivables owing by the partner. Issuance of the share and warrant components remained subject to TSX Venture Exchange acceptance as at December 31, 2025.

On February 27, 2026, the Corporation received TSX Venture Exchange acceptance and issued the share and warrant components, together with an additional 2,000,000 common share purchase warrants (fair value \$38,037) issued in connection with the closing. The additional \$38,037 of warrant fair value was capitalized to the carrying amount of the related petroleum and natural gas assets (Note 5), bringing the total acquisition cost recognized in property and equipment to \$1,328,200, comprising 5,703,814 common shares (\$199,634), 5,334,550 common share purchase warrants (\$101,456 in aggregate), and the receivables forgiveness of \$1,027,110.

(b) On March 11, 2026, the Corporation completed a non-brokered private placement of 85,714,283 units

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at a subscription price of \$0.035 per unit for total consideration of \$3,000,000, comprised of:

1. \$1,216,390 in cash proceeds in respect of 34,753,994 units;
 2. \$1,338,497 through the conversion of outstanding indebtedness in respect of 38,242,781 units, comprising convertible debentures, promissory notes and amounts owing under a 2024 line of credit (Notes 8, 9, 13 and 14);
 3. \$120,000 through the settlement of trade payables with two vendors in respect of 3,428,571 units; and
 4. \$325,113 through the settlement of trade payables to a vendor in respect of 9,288,937 units, the issuance of which remained subject to acceptance by the TSX Venture Exchange as at March 31, 2026 and was therefore included in "Warrants to be issued".
- (c) Expired warrants. During the three months ended March 31, 2026, an aggregate of 17,330,000 common share purchase warrants with a weighted average exercise price of \$0.06 per warrant expired unexercised in accordance with their original contractual terms. The aggregate fair value of \$579,843 originally attributed to these warrants was reclassified from share purchase warrants to contributed surplus within shareholders' deficit, with no effect on profit or loss.

The fair value of the share purchase warrants issued in connection with PP11 was estimated using the Black-Scholes-Merton model with the following assumptions: share price \$0.035, exercise price \$0.05, expected volatility 124%, risk-free rate 2.79%, and expected life of 3 years.

Information about share purchase warrants outstanding and exercisable at March 31, 2026 is as follows:

Expiry date	Exercise price	Number	Weighted average contractual life remaining (years)
May 31, 2026	0.05	3,000,000	0.17
March 19, 2027	0.10	3,076,923	0.97
March 02, 2029	0.05	5,334,550	2.92
March 11, 2029	0.05	76,425,346	2.95
	\$ 0.05	87,836,819	2.78

15. STOCK OPTIONS AND SHARE-BASED COMPENSATION

	Weighted average exercise price	Number
Balance, December 31, 2025	\$ 0.07	12,404,708
Expired	(0.13)	(1,250,000)
Balance, March 31, 2026	\$ 0.06	11,154,708

Information about stock options outstanding and exercisable at March 31, 2026 is as follows:

Exercise price	Number outstanding	Number exercisable	Weighted average contractual life remaining (years)
\$ 0.05	7,140,000	7,140,000	1.72
0.06	2,385,000	577,000	3.26
0.07	100,000	40,000	3.41
0.075	666,668	666,668	1.72
0.10	350,000	350,000	2.25

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1.11	400,000	300,000	1.97
0.12	15,000	12,000	2.49
0.125	98,040	98,040	1.96
\$ 0.07	11,154,708	9,183,708	2.09

16. LOSS PER SHARE

For the three months ended March 31	2026	2025
Loss for the period	\$ (2,481,914)	\$ (1,742,717)
Basic and diluted weighted average number of shares	484,228,109	429,720,956
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)

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

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:

For the three months ended March 31	2026	2025
Petroleum sales	\$ 4,518,411	\$ 4,579,726
Natural gas sales	3,726	18,746
	\$ 4,522,137	\$ 4,598,472

All of the Corporation's petroleum and natural gas sales were generated in Saskatchewan and Alberta. During the three months ended March 31, 2026, petroleum and natural gas sales were made primarily to six major customers (three months ended March 31, 2025 — six).

As at March 31, 2026, receivables from contracts with customers, included within trade and other receivables from petroleum and natural gas marketers and joint operating partners (Note 4), were \$2,007,399 (December 31, 2025 — \$1,331,897).

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31	2026	2025
Salaries and benefits	\$ 322,774	\$ 368,865
Professional fees	160,043	244,127
Shareholder and regulatory	95,578	36,601
Office and general	176,213	109,670
Overhead recoveries	-	(68,250)
	\$ 754,608	\$ 691,013

19. FINANCE EXPENSE, NET

For the three months ended at March 31	2026	2025
Finance fees on trade receivables (Note 4)	\$ 109,502	\$ 110,594
Imputed interest on lease liability (Note 7)	5,526	12,126
Promissory notes (Note 8)	50,301	91,113
Convertible debentures (Note 9)	226,950	37,754
GORR financing (Note 10)	74,006	87,493

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Term loan (Note 11)	665,858	401,340
Vendor interest charges	291,270	-
Other interest and bank charges	5,712	34,372
Interest and other expense	6,204	(151,150)
	\$ 1,435,329	\$ 623,642

20. GAIN ON DEBT SETTLEMENTS

For the three months ended at March 31	2026	2025
Settlement of convertible debenture interest (Note 9)	-	(28,151)
Settlement of trade payables	(122,164)	(25,000)
	\$ (122,164)	\$ (53,151)

21. RELATED PARTY TRANSACTIONS

Except as disclosed below, transactions with related parties during the three months ended March 31, 2026 were carried out in the normal course of operations and were measured at the exchange amount, being the amount of consideration established and agreed by the related parties.

Key management compensation

Key management personnel includes executive officers and non-executive directors. Three executive officers, comprised of the Executive Chairman and Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, are paid a salary and participate in the Corporation's stock option program. Non-executive directors also participate in the Corporation's stock option program. Key management compensation paid to executive officers and non-executive directors is comprised of the following:

	2026	2025
Salaries and benefits	\$ 93,750	\$ 93,750
Consulting fees	60,000	50,000
Share-based compensation	1,316	629
	\$ 155,066	\$ 144,379

During Q1 2026, the Corporation incurred \$60,000 (Q1 2025 — \$50,000) of charges from a company controlled by the Executive Chairman and Chief Executive Officer in respect of consulting services. During the period, \$40,000 of the outstanding balance was settled through the issuance of common shares (refer to Note 13 and 14). As at March 31, 2026, trade and other payables included \$13,875 (December 31, 2025 — \$20,375) owing to this related party.

During Q1 2026, the Corporation incurred \$20,700 (Q1 2025 — \$24,750) of charges from a company controlled by a director of the Corporation in respect of consulting services. During the period, \$80,000 of the outstanding balance was settled through the issuance of common shares (refer to Note 13 and 14). As at March 31, 2026, trade and other payables included \$35,437 (December 31, 2025 — \$94,737) owing to this related party.

During Q1 2026, the Corporation was charged \$76,728 (Q1 2025 - \$79,199) by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at March 31, 2026, trade and other payables included \$66,844 (December 31, 2025 — \$15,806) owing to this related party.

On September 4, 2025, the Corporation issued a \$112,500 0% promissory note, a director of the Corporation,

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which matured on November 16, 2025. On March 3, 2026, the Corporation agreed to settle the matured obligation through the issuance of 3,214,286 units under the March 11, 2026 non-brokered private placement (Note 8, 13 and 14).

In December 2024, the Corporation issued \$900,000 aggregate principal amount of 12% promissory notes under a non-brokered private placement, of which \$200,000 was issued to a company controlled by a director of the Corporation in settlement of an equivalent amount of trade payables owing to that company. On March 16, 2026, the Corporation repaid this \$200,000 promissory note in full cash (Note 8).

22. CHANGE IN NON-CASH WORKING CAPITAL

For the three months ended March 31	2026	2025
Trade and other receivables	\$ (555,314)	\$ 49,523
Prepaid expenses and deposits	16,209	60,118
Inventory	87,149	(160,255)
Deposits	(97,062)	(4,529)
Trade and other payables	31,783	(418,959)
	\$ (517,235)	\$ (474,102)

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

For the three months ended March 31	2026	2025
Operating activities	\$ (517,727)	\$ (532,769)
Investing activities	493	58,667
	\$ (517,235)	\$ (474,102)

23. NON-CASH TRANSACTIONS

The Company's significant non-cash transactions during the three months ended March 31, 2026 were as follows:

During the three months ended March 31, 2026, the Company settled trade and other payables through non-cash consideration as follows:

- Trade payables of \$120,000 were settled through the transfer of an interest in the PP11 (Note 13 and 14);
- Services payables of \$325,113 were settled through non-cash consideration (Note 13 and 14);
- Accounts payable of \$79,533 were settled through the issuance of 1,590,660 common shares (refer to Note 13(b));
- Trade payables of \$1,578,241 were settled through the issuance of 45,125,426 common shares pending issuance (refer to Note 13(d)); and
- Interest on promissory note, convertible debentures and term loan totalling \$77,942 was accrued within trade and other payables as at March 31, 2026.

The aggregate effect of these non-cash items reconciles the \$1,992,672 decrease in trade and other payables reflected in the consolidated statement of financial position to the \$32,273 working capital change presented within operating activities in the statement of cash flows.

24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Corporation holds various financial instruments at March 31, 2026. 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.

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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 March 31, 2026, maturities of the Corporation's financial obligations 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 6)	\$16,099,060	\$16,304,576	\$15,208,846	\$1,095,730	\$ –
Lease liability (Note 7)	253,493	269,199	269,199	–	–
Promissory notes (Note 8)	1,500,000	1,500,000	1,500,000	–	–
Convertible debentures (Note 9)	2,399,988	3,670,800	–	–	3,670,800
GORR financing (Note 10)	3,320,755	3,357,355	3,042,277	–	315,078
Term debt (Note 11)	22,081,811	22,648,265	22,648,265	–	–
	\$45,655,106	\$47,750,195	\$42,668,587	\$1,095,730	\$3,985,878

(b) Capital Management

The Corporation's policy is to maintain a strong capital base in order to preserve financial flexibility, sustain the development of its current capital projects, and support future corporate growth. The Corporation monitors its working capital position and anticipated capital expenditures, and raises funds through debt financing and/or the issuance of equity instruments to support the execution of its development plans. The Corporation has no externally imposed capital requirements. The Corporation continues to assess its petroleum and natural gas projects on an ongoing basis and, from time to time, settles financial obligations — including debt and trade payables — through the issuance of equity instruments. This approach is used to manage liquidity, preserve the Corporation's capital structure, fund acquisitions, and maintain sufficient working capital to meet administrative expenditures.

The Corporation considers its capital structure to be working capital and shareholders' deficit. 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 three months ended March 31, 2026.

	March 31 2026	December 31 2025
Working capital deficit	\$ (39,048,429)	\$ (39,644,749)
Shareholders' deficit	\$ (8,448,337)	\$ (10,537,119)

25. CONTINGENCIES

The Corporation is involved, from time to time, in legal proceedings and claims arising in the ordinary course of business, including employment matters and surface or land-related claims. The outcome of these matters is inherently uncertain. As at March 31, 2026, no provisions have been recorded, other than normal accruals for earned compensation, as management does not consider an outflow of economic resources to be probable and/or the amount of any potential loss cannot be reliably estimated.

The Corporation is a party to a dispute relating to historical transactions and ownership interests associated

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with certain oil and gas assets, including the Brooks asset. The plaintiff is seeking, among other relief, a declaration of a 50% ownership interest and damages of at least \$6.7 million. The Corporation disputes the claim and has advanced a counterclaim seeking damages of approximately \$5.1 million. The matter remains contested and subject to uncertainty. No provision has been recorded as at March 31, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured at this time.

The Corporation is also subject to claims from a former President and Chief Executive Officer in respect of alleged unpaid compensation and wrongful dismissal, with asserted amounts of approximately \$3.1 million. The claims are disputed and remain subject to uncertainty. No provision has been recorded as at March 31, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

The Corporation is a party to a claim alleging breaches of land lease obligations, which asserts damages of approximately \$500,000. The claim is disputed and remains subject to uncertainty. No provision has been recorded as at March 31, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

In addition, the Corporation is involved in various other employment-related and similar matters, with aggregate claims of approximately \$87,500. These matters are in varying stages and subject to uncertainty. No provision has been recorded as at March 31, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured.

26. SUBSEQUENT EVENTS

(a) In April 2026, the Corporation entered into an amending agreement with the lender, extending the maturity date of the original term loan from May 31, 2026 to August 31, 2026 — a three-month extension. The extension was obtained to provide additional time to negotiate and document a revised, longer-term facility with the lender, which discussions are currently underway. There can be no assurance that a revised facility will be completed on acceptable terms, within the extended maturity period, or at all. This subsequent event should be read together with the going concern material uncertainty disclosed in Note 2.

(b) The Corporation acquired \$1,395,000 of unsecured term loans as part of the acquisition of Tundra, 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. \$45,000 line of credit were settled by common shares and partial cash on October 31, 2025.

Subsequent on March 31, 2026, on April 15, 2026, the Corporation agreed with the holders of the \$1,350,000 secured loans to settle the aggregate arrears payment of \$151,187 owing under those loans. Under the settlement, \$37,797 (25%) is payable in cash and \$113,390 (75%) is to be settled through the issuance of 3,023,731 common shares at a deemed price of \$0.0375 per share. As consideration for substituting the original warrant issuance obligation owing under the predecessor subscription agreements, the Corporation also agreed to issue 1,000,000 common share purchase warrants exercisable at \$0.05 per share for a period of two years from the date of issuance.