MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Prospera Energy Inc. ("Prospera", "PEI", or the "Corporation") for the three and six months ended June 30, 2026 and should be read in conjunction with the Corporation's December 31, 2025 audited consolidated financial statements and related notes thereto. The Corporation's financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") and are presented in Canadian dollars.

Readers are cautioned of the advisories on forward-looking statements, estimates, non-IFRS measures, numerical references and Oil and Gas advisories which can be found at the beginning of this MD&A. This MD&A is dated and was prepared using available information as of **July 29, 2026**.

In this MD&A, the three months ended June 30, 2026 may be referred to as "Q2 2026" , the comparative three months ended June 30, 2025 as "Q2 2025", the three months ended March 31, 2026 as "Q1 2026", and the six months ended June 30, 2026 and 2025 as "YTD 2026" and "YTD 2025", respectively.

Forward Looking Statements

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this MD&A, other than statements of historical facts, that address activities, events, or developments that Prospera expects are forward looking statements. The Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions which the Corporation is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future plans and operations, capital expenditure requirements, methods of financing and the ability to fund financial liabilities, changes in royalty rates and the timing and impact of accounting policies may constitute forward-looking statements under applicable laws and necessarily involve risks including and without limitation, risks associated with oil and gas exploration, development and exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations imprecision of reserve estimates, environmental risks, competition from, other producers, the inability to fully realize the benefits of acquisitions, delays resulting from, or inability to obtain, required regulatory approvals and ability to access sufficient capital from internal and external sources. Readers and investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration, and exploitation successes, continued availability of capital and financing and general economic, market or business conditions.

Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realized. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "may", "will", "forecast", "project", "plan", "should" and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

- Fluctuations in oil production levels
- Volatility in market prices for petroleum and natural gas
- Uncertainties associated with estimating reserves
- Well production and decline rates
- Changes in the general economic conditions in Canada and Worldwide
- The effects of weather conditions
- The ability of Prospera to obtain financing including equity and debt
- Actions taken and policies by governmental or regulatory authorities including changes to tax laws, incentive programs, royalty calculations and environmental regulations.

Additional Information

Additional information about Prospera, is available on SEDAR+ at www.sedarplus.ca, and on the Corporation's website at www.prosperaenergy.com.

Petroleum and Natural Gas ("P&NG") Volume Disclosures

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", "Mcf", "Mcf/d", "MMcf", "MMcf/d", "Bcf", "Bbl", and "Bbl/d". All P&NG equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

Numerical References

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes. The columns on some tables in this document may not add due to rounding.

Non-IFRS and Other Financial Measures

Throughout this MD&A and in other materials disclosed by the Corporation, certain measures are employed to analyze financial performance, financial position, and cash flow. These non-IFRS and other financial measures do not have any standardized meaning prescribed by IFRS Accounting Standards and therefore may not be comparable to similar measures provided by other issuers. Non-IFRS and other financial measures should not be considered to be more meaningful than financial measures which are determined in accordance with IFRS Accounting Standards, such as net income (loss), P&NG sales revenue and net cash flows provided (used in) by operating activities as indicators of our performance.

"**Operating netback**" is a non-IFRS measure. Operating netback is comprised of P&NG sales revenue minus royalties and operating costs. Management uses this metric to measure the discrete operating results of its oil and gas properties. See "Operating Results Summary – Operating Netback" for a reconciliation of operating netback to P&NG sales revenue, being our nearest measure prescribed by IFRS.

"**Operating netback per Boe**" is a non-IFRS ratio. Operating netback per Boe is comprised of operating netback divided by total Boe sales volumes in the period. Management believes this measure is a useful supplemental measure of the Corporation's profitability relative to commodity prices. In addition, management believes that operating netback per Boe is a key industry performance measure of operational efficiency and provides investors with information that is also commonly presented by other P&NG producers. See "Operating Results Summary – Operating Netback" for the calculation of operating netback per BOE.

"**Working capital**" is a capital management measure. Working capital is comprised of current assets less current liabilities. Management believes that working capital is a useful measure to assess the Corporation's capital position and its ability to execute its development programs. See "Selected Financial Information" for a reconciliation of working capital to current assets and current liabilities, being our nearest measures prescribed by IFRS.

"**Non-current financial liabilities**" is a supplemental financial measure. Non-current financial liabilities are comprised of the non-current portion of lease liability, promissory note, convertible debt and GORR financing as presented in the Corporation's statements of financial position. See "Selected Financial Information".

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1. Business Overview

Prospera is a Canadian natural resources corporation presently engaged in optimization, development, exploration, and acquisition of oil and gas properties in Western Canada.

The Corporation was incorporated on April 14, 2003, under the Canada Business Corporations Act ("CBCA"). The Corporation's shares initially began trading on the TSX Venture Exchange under the trading symbol "ORR" on March 29, 2005, and on the Frankfurt Exchange under the trading symbol "OF6" on June 21, 2006. On August 25, 2008, the Corporation's name was changed to "Georox Resources Inc." and the TSX Venture Exchange trading symbol changed to "GXR". On June 28, 2018, the Corporation changed its name to "Prospera Energy Inc." and the TSX Venture Exchange symbol changed to "PEI".

On August 29, 2025, the Corporation closed the acquisition of 100% of the issued and outstanding common shares of White Tundra Petroleum ("Tundra") whose primary petroleum and natural gas assets are located near Loyalist and Hanna, Alberta. The results of Tundra have been consolidated with the results of Prospera from the August 29, 2025 acquisition date, including for the three and six months ended June 30, 2026.

2. Overview of Q2 2026

Q2 2026 was the strongest quarter Prospera has reported in at least eight quarters — and the quarter that proved the Corporation's margin engine. Prospera delivered its highest quarterly sales revenue in the past five years ($6.2 million), its highest operating netback in both aggregate dollars and per-barrel terms in the past 24 months ($2.0 million; $29.65/boe), and a return to positive income from operations — all achieved through spring break-up, historically the highest-risk operating window for Western Canadian heavy oil producers, on a disciplined capital spend of only $0.6 million. The Corporation maintained field uptime of approximately 85% with zero pipeline failures (compared to five in Q2 2025). In parallel, Prospera continued to reduce trade payables and completed financing and liability management transactions that reduced near-term obligations and repositioned the capital structure ahead of the planned Luseland production ramp, to be funded by the $12.0 million equity financing announced on June 29, 2026.

The Margin Engine: Record Netbacks and a Return to Operating Income

Q2 2026 demonstrated the operating leverage embedded in Prospera's asset base. Operating netback rose to $2.01 million ($29.65/boe), from $0.71 million ($10.99/boe) in Q1 2026 and $1.61 million ($22.73/boe) in Q2 2025 — the Corporation's highest quarterly operating netback, in dollars and on a per-boe basis, in the past 24 months. The Corporation generated income from operations of $86,290 in Q2 2026, compared with losses from operations of $1,168,748 in Q1 2026 and $299,634 in Q2 2025. Funds flow provided by operations of $1,267,122, compared with funds flow used in operations of $41,555 in Q1 2026 and funds flow provided by operations of $938,000 in Q2 2025. Net cash flows provided by operating activities were $1,488,320 in Q2 2026, compared with net cash flows used in operating activities of $562,960 in Q1 2026 and $453,229 in Q2 2025.

Margin momentum — built month over month through the first half of 2026: monthly operating income in June 2026 was approximately four times January 2026 levels, driven by rising production from reactivated wells, stronger realized pricing, and flat operating costs. Total operating costs of $3.22 million in Q2 2026 were essentially unchanged from $3.23 million in Q1 2026 despite a 3% increase in sales volumes — evidence of the cost discipline underpinning the Corporation's netback expansion. With per-boe netbacks re-established above $29/boe, each incremental barrel added by the planned Luseland reactivation program is positioned to convert directly into operating cash flow.

The Corporation's realized pricing has benefitted from a narrower heavy-to-light oil differential, which averaged approximately US$12/bbl in June 2026. The Trans Mountain Expansion pipeline has structurally reduced the egress constraints that historically widened the WCS–WTI differential, while the disruption of Middle Eastern heavy sour crude supply since March 2026 has increased refiner demand for Western Canadian heavy barrels, further compressing the differential. While the Corporation views the additional pipeline capacity as a durable improvement, the conflict-related compression may not persist if regional supply is restored, and there can be no assurance current differential levels will be sustained.

Capital Discipline and Operational Reliability

Q2 2026 capital expenditures of $0.6 million comprised $0.2 million for field equipment and facility services and $0.4 million for plant maintenance and workover activities, reinforcing infrastructure integrity and supporting continued production growth from the Corporation's reactivated well inventory.

The 2025 reactivation program continues to outperform. The 16 wells reactivated under the 2025 program averaged 133 bbl/d over the first half of 2026, up from an average of 81 bbl/d in 2025, and reached 141 bbl/d in June 2026 — improving the program's capital efficiency to approximately $13,300 per flowing barrel per day, a fraction of typical new-drill costs in the Corporation's operating areas. This growth was sustained without service rig intervention: the Corporation's sand management program (sand suspension chemistries, recycle pumping configurations, and refined operating practices) kept reactivated wells on-stream through the quarter — a notable departure from prior reactivation cycles in which sand cuts forced repeated workovers. Since November 2024, Prospera has completed 64 workovers and 21 reactivations, lifting Luseland field production more than four-fold to an eight-year high, with more than 140 reactivation candidates remaining in inventory.

Balance Sheet Progress: Payables Reduction and Liability Management

The Corporation continued to reduce its legacy payables during the period. Total trade and other payables declined to $16.2 million at June 30, 2026 from $18.1 million at December 31, 2025 — a reduction of $1.8 million, or 10% — achieved through vendor cash payments, structured payment plans, negotiated settlements, and shares-for-debt transactions. Q2 2026 transactions included:

- Shares-for-Debt Settlements. Settled $170,476 of trade and interest payables with five arm's length creditors through the issuance of 4,100,306 common shares at an average deemed price of approximately $0.042 per share (Notes 13(e) and 13(f) of the interim financial statements), and entered into further settlement agreements to settle $42,800 of trade payables with three vendors through the issuance of 996,005 common shares, pending TSX Venture Exchange acceptance. A gain on debt settlements of $71,121 was recognized in the quarter (Note 20).

Collectively, these transactions reduced near-term cash obligations, retired legacy liabilities, and improved the composition of the Corporation's capital structure heading into the Luseland development program.

Positioning the Volume Engine: $12.0 Million Equity Financing

On June 29, 2026, the Corporation announced a non-brokered private placement (the "Offering") of up to 300,000,000 units at $0.04 per unit for aggregate gross proceeds of up to $12.0 million, with each unit comprising one common share and one two-year common share purchase warrant exercisable at $0.06 per share (exercise in full of the warrants would provide up to an additional $18.0 million of proceeds). Net proceeds are intended to fund the Luseland well reactivation program, the Luseland well optimization program, and the Cuthbert workover program (see Section 9 — Subsequent Events). Q2 2026 proved the margin engine — per-barrel profitability at its highest level in 24 months on a stable cost structure; the Offering is designed to turn on the volume engine, deploying a proven, capital-efficient reactivation template across an inventory of more than 140 remaining candidates. The Offering remains subject to TSX Venture Exchange approval.

Commodity Price Environment and Q3 2026 Outlook

Q2 2026 commodity prices were materially affected by the global oil supply disruption that emerged in late February 2026, including the curtailment of shipping through the Strait of Hormuz. Western Canada Select benchmark prices averaged Cdn$107.97 per barrel in Q2 2026, up from Cdn$79.20 in Q1 2026, and the Corporation's realized price rose to $91.17 per boe from $69.75 per boe in Q1 2026. On a per-barrel basis, realized oil and condensate prices were $93.72 in Q2 2026 compared with $72.55 in Q1 2026.

Subsequent to June 30, 2026, global oil prices have remained above the levels that prevailed throughout 2025, although below the peak reached during the second quarter. WTI crude oil futures for the balance of 2026 were trading at approximately US$80 per barrel, compared with the Q2 2026 average of US$92.79 per barrel and the Q2 2025 average of US$63.71 per barrel. The Western Canada Select differential to WTI averaged approximately US$14.50 per barrel in Q2 2026, narrower than in recent years, reflecting sustained demand for heavy Canadian barrels.

As a Canadian heavy oil producer with operated assets and 100% working interests in its core operating areas, Prospera is positioned to capture the cash flow benefit of sustained higher commodity prices. If recent commodity price levels are maintained, and the Western Canada Select differential to WTI remains broadly consistent with recent quarters, the Corporation would expect operating netbacks to remain similar to the Q2 2026 quarterly average of $29.65/boe, providing additional capacity to advance the Luseland development program and to continue retiring legacy liabilities and reducing operating costs on a per-boe basis.

Readers are cautioned that commodity prices are inherently volatile and have historically been subject to rapid change, that the duration and resolution of the geopolitical situation underlying current pricing remains uncertain, and that no assurance can be provided as to future realized prices, the Western Canada Select differential, or the Corporation's ability to convert higher commodity prices into improved operating results. See "Forward Looking Statements" at the beginning of this MD&A.

Q2 2026 Financial and Operational Highlights

- Sales revenue of $6,184,396 ($91.17/boe) — the Corporation's highest quarterly revenue in the past five years — a 37% increase from $4,522,137 ($69.75/boe) in Q1 2026, reflecting a 30.8% increase in realized prices and a 3% increase in sales volumes, and a 26% increase from $4,902,540 ($69.03/boe) in Q2 2025, as higher realized prices (a 32.2% increase) more than offset lower sales volumes (a 4% decrease).

- Operating netback of $2,011,303 ($29.65/boe) — the Corporation's highest in the past 24 months in both aggregate and per-boe terms — compared with $713,053 ($10.99/boe) in Q1 2026 and $1,613,923 ($22.73/boe) in Q2 2025, reflecting the combination of stronger pricing and lower per-unit operating costs.

- Income from operations of $86,290, compared with losses from operations of $1,168,748 in Q1 2026 and $299,634 in Q2 2025; funds flow provided by operations of $1,267,122, compared with funds flow used in operations of $41,555 in Q1 2026 and funds flow provided by operations of $874,253 in Q2 2025.

- Average net sales volumes of 745 boe/d, a 3% increase from 720 boe/d in Q1 2026, primarily reflecting the contribution from well reactivations and optimization activities, and a 4% decrease from 780 boe/d in Q2 2025, primarily reflecting the suspension of all Brooks wells since March 2026, partially offset by production from the White Tundra assets acquired in August 2025.

- Operating costs of $47.45/boe, 5% lower than $49.90/boe in Q1 2026, primarily reflecting reductions in contract operator fees, field maintenance costs, and road usage fees, together with the favourable impact of the consolidated 14% Cuthbert working interest, and 29% higher than $36.86/boe in Q2 2025, primarily reflecting an unfavourable inventory movement of $0.4 million in Q2 2026 and the inclusion of White Tundra transportation and operating costs of $0.1 million (acquired August 2025).

3. Selected Financial Information

(expressed in $, except shares outstanding)	**June 30 2026**	**March 31 2026**	**December 31 2025**	**December 31 2024**
Current assets	**3,402,962**	3,473,101	2,870,765	3,196,640
Current liabilities	**43,085,082**	42,521,531	42,515,514	20,766,507
Working capital	**(39,682,120)**	(39,048,429)	(39,644,749)	(17,569,867)
Property and equipment	**54,147,597**	54,497,517	54,749,740	47,776,659
Total assets	**59,068,159**	59,399,957	59,004,534	53,932,973
Non-current financial liabilities	**3,424,264**	3,800,653	5,609,886	17,002,470
Share capital	**36,803,582**	36,563,411	33,105,787	31,346,508
Total common shares issued and outstanding	**608,988,170**	552,066,386	463,252,995	426,954,767

(expressed in $, except number of shares)	**Q2,2026**	Q1,2026	Q2,2025	**YTD 2026**	YTD 2025
P&NG sales revenue	**6,184,396**	4,522,137	4,902,540	**10,706,533**	9,501,012
Loss for the period	**(982,450)**	(2,481,914)	(984,852)	**(3,464,363)**	(2,727,569)
Loss per share	**(0.00)**	(0.01)	(0.00)	**(0.01)**	(0.01)
Funds flow provided by (used in) operations	**1,267,122**	(41,555)	938,000	**1,225,567**	874,253
Net cash flows provided by (used in) operating activities	**1,488,320**	(562,960)	(453,229)	**925,360**	(1,049,745)
Net cash per share – operating activities	**0.00**	(0.00)	(0.00)	**0.00**	(0.00)
Weighted average number of shares – basic	**584,420,455**	484,228,109	434,641,124	**534,601,056**	432,194,632

4. Operating Results Summary

Operating Netback

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
P&NG sales revenue ($)	**6,184,396**	4,522,137	4,902,540	**10,706,533**	9,501,012
Royalties ($)	**(954,067)**	(574,227)	(670,619)	**(1,528,294)**	(1,105,734)
Operating costs ($)	**(3,219,026)**	(3,234,857)	(2,617,998)	**(6,453,883)**	(6,154,089)
Operating netback ($)	**2,011,303**	713,053	1,613,923	**2,724,356**	2,241,189

Per BOE, except total BOE sales volumes	**Q2 2026**	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Total BOE sales volumes	**67,831**	64,830	71,019	**132,660**	130,489
P&NG sales revenue ($)	**91.17**	69.75	69.03	**80.71**	72.81
Royalties ($)	**(14.07)**	(8.86)	(9.44)	**(11.52)**	(8.47)
Operating costs ($)	**(47.45)**	(49.90)	(36.86)	**(48.65)**	(47.16)
Operating netback per BOE ($)	**29.65**	10.99	22.73	**20.54**	17.18

Variances in operating netback are explained by changes in sales volumes, realized prices, royalties, and operating costs as discussed below.

Operating netback was $29.65/boe in Q2 2026, a 170% increase from $10.99/boe in Q1 2026, primarily reflecting higher realized prices and lower per-boe operating costs, partially offset by higher royalties. Relative to Q2 2025, operating netback increased 30% from $22.73/boe, as higher realized prices were partially offset by higher per-boe operating and transportation costs, including those associated with the White Tundra assets acquired in August 2025.

Sales Volumes and Revenues

Sales Volumes	**Q2 2026**	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Oil and condensate (bbls)	**65,991**	62,281	70,607	**128,271**	128,124
Natural gas (Mcf)	**11,041**	15,294	2,477	**26,335**	13,650
Total BOE	**67,831**	64,830	71,019	**132,660**	130,489
Liquids composition	**98%**	99%	99%	**97%**	98%
Oil and condensate bbls per day	**725**	692	776	**709**	708
Natural gas mcf per day	**120**	168	27	**144**	75
Total BOE per day	**745**	720	780	**733**	720

Q2 2026 sales volumes averaged 745 boe/d, a 3% increase from 720 boe/d in Q1 2026, primarily reflecting the contribution from well reactivations and optimization activities, and a 4% decrease from 780 boe/d in Q2 2025, primarily reflecting the suspension of all Brooks wells since March 2026, partially offset by production from the White Tundra assets acquired in August 2025.

Sales Revenue	**Q2 2026**	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Oil and condensate ($)	**6,147,716**	4,518,411	4,900,296	**10,666,127**	9,480,022
Natural gas ($)	**36,680**	3,726	2,244	**40,406**	20,990
Total P&NG sales revenue	**6,184,396**	4,522,137	4,902,540	**10,706,533**	9,501,012
Oil and condensate per bbls ($)	**93.72**	72.55	69.40	**83.15**	73.94
Natural gas per mcf ($)	**3.32**	0.24	0.91	**1.53**	1.54
Total sales revenue per BOE ($)	**91.17**	69.75	69.03	**80.71**	72.81

Sales revenue was $6,184,396 in Q2 2026, a 37% increase from $4,522,137 in Q1 2026, reflecting a 30.8% increase in realized prices and a 3% increase in sales volumes, and a 26% increase from $4,902,540 in Q2 2025, as higher realized prices (a 32.2% increase) more than offset lower sales volumes (a 4% decrease).

The following table summarizes the average benchmark commodity prices for the following periods:

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Crude Oil					
West Texas Intermediate (US$/Bbl)	**92.79**	71.90	63.71	**82.34**	67.57
Canada Light Sweet - light oil (Cdn$/Bbl)	**143.90**	93.40	85.87	**118.65**	90.53
Western Canada Select – heavy oil (Cdn$/Bbl)	**107.97**	79.20	75.21	**93.58**	79.91
Natural Gas					
NYMEX - Henry Hub (US$/mmBtu)	**2.67**	4.79	3.20	**3.73**	3.67
AECO 5A C (Cdn$/Mcf)	**1.55**	1.90	1.60	**1.72**	1.83
AECO 7A C (Cdn$/Mcf)	**1.43**	2.36	2.02	**1.89**	1.97
US to Canadian dollar average exchange rate	**1.38**	1.37	1.38	**1.38**	1.41

Royalties

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Royalties ($)	**954,067**	574,227	670,619	**1,528,294**	1,105,734
Royalties per BOE ($)	**14.07**	8.86	9.44	**11.52**	8.47
Royalties as a percentage of sales revenue	**15%**	13%	14%	**14%**	12%

Royalties as a percentage of P&NG sales revenue were 15% in Q2 2026, compared to 13% in Q1 2026 and 14% in Q2 2025. The increase relative to Q1 2026 was primarily attributable to higher realized prices and higher Saskatchewan Crown royalty rates triggered by the March 2026 pricing environment. The increase relative to Q2 2025 was likewise primarily attributable to higher realized prices.

Operating Costs

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Production and processing ($)	**2,755,606**	2,866,133	2,246,947	**5,621,739**	5,393,700
Well servicing and workover expenses ($)	**55,779**	70,388	–	**126,167**	–
Transportation ($)	**407,641**	298,336	371,051	**705,977**	760,389
Operating costs ($)	**3,219,026**	3,234,857	2,617,998	**6,453,883**	6,154,089
Production and processing per BOE ($)	**40.62**	44.21	31.64	**42.38**	41.33
Well servicing and workover expenses per BOE ($)	**0.82**	1.09	–	**0.95**	–
Transportation per BOE ($)	**6.01**	4.60	5.22	**5.32**	5.83
Operating costs per BOE ($)	**47.45**	49.90	36.86	**48.65**	47.16

Q2 2026 operating costs of $47.45/boe were 5% lower than $49.90/boe in Q1 2026, primarily reflecting reductions in contract operator fees, field maintenance costs, and road usage fees, together with the favourable impact of the consolidated 14% Cuthbert working interest. Operating costs were 29% higher than $36.86/boe in Q2 2025, primarily reflecting an unfavourable inventory movement of $0.37 million in Q2 2026, the inclusion of White Tundra transportation and operating costs of $0.11 million (acquired August 2025), and other adjustments of $0.06 million, partially offset by the cost reductions of lower field labour costs, and the reduced emulsion, water trucking, and water disposal charges following well suspension at the Brooks property.

General and Administrative ("G&A") Expenses

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Gross G&A expenses ($)	**744,181**	754,608	711,173	**1,498,789**	1,470,436
G&A recoveries ($)	**–**	–	(35,250)	**–**	(103,500)
Net G&A expenses ($)	**744,181**	754,608	675,923	**1,498,789**	1,366,936
Net G&A expenses per BOE ($)	**10.97**	11.64	9.52	**11.30**	10.48

Net G&A expenses were $744,181 in Q2 2026, 1% lower than $754,608 in Q1 2026 and 10% higher than $675,923 in Q2 2025. The year-over-year comparison is affected by $35,250 of overhead recoveries that reduced the Q2 2025 comparative, with no comparable recoveries in Q2 2026. On a gross basis, G&A of $744,181 in Q2 2026 was 5% higher than $711,173 in Q2 2025, primarily reflecting higher software and AI tool subscriptions and increased marketing spending in Q2 2026, partially offset by the reduction in professional fees.

The Corporation's G&A cost structure is largely fixed, with the majority of expenses comprising personnel, public company costs, professional fees, and core systems that do not scale directly with production. As a result, planned production growth from the Luseland development program and continued contributions from the reactivated well inventory are expected to drive a meaningful reduction in G&A on a per boe basis over the balance of 2026 and beyond, as fixed costs are absorbed across a larger production base.

Depletion and Depreciation

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Depletion ($)	**860,574**	815,479	979,566	**1,676,052**	1,867,561
Depreciation ($)	**99,738**	92,550	50,974	**192,288**	101,419
	960,312	908,029	1,030,540	**1,868,340**	1,968,980
Depletion rate per BOE ($)	**14.16**	14.01	14.51	**14.08**	14.31

Depletion charges reflect the depletion of capitalized drilling, working interest acquisition, and facility and gathering system costs over proved plus probable reserves. Depreciation is recognized on field equipment and on right-of-use assets, the latter on a straight-line basis over the underlying lease term.

The Q2 2026 DD&A rate of $14.16/boe was comparable to $14.01/boe in Q1 2026 and 2% lower than $14.51/boe in Q2 2025. The decrease from Q2 2025 primarily reflects the increase in proved plus probable reserves following the consolidation of the remaining 14% Cuthbert working interest in September 2025 and the White Tundra acquisition in August 2025, partially offset by an increase in estimated future development costs included in the depletion calculation. Estimated future development costs ("FDC") were $60.9 million as at both June 30, 2026 and December 31, 2025, compared with $44.1 million as at December 31, 2024, which was the basis for the Q2 2025 comparative rate.

Accretion

During Q2 2026 and YTD 2026, the Corporation recognized $198,660 and $399,624 (Q2 2025 and YTD 2025 - $169,447 and $321,249), respectively, of accretion expense in respect of its decommissioning obligations. As at June 30, 2026, the undiscounted decommissioning obligation associated with existing properties was estimated at $36.7 million, with a corresponding present value of $22.3 million calculated using a risk-free discount rate of 2.96% to 3.88%, an annual inflation rate of 2.0% to 2.06%, and an estimated timing of cash flows of 1 to 46 years.

Share-based Compensation

No stock options or other share-based compensation awards were granted during the three months and six months ended June 30, 2026. During Q2 2026 and YTD 2026, the Corporation recognized $21,860 and $40,061 (Q2 2025 and YTD 2025 - $37,647 and $55,884), of share-based compensation expense respectively in respect of previously issued stock options that continue to vest.

Finance Expense, Net

	Q2 2026	Q1 2026	Q2 2025	**YTD 2026**	YTD 2025
Finance fees on trade receivables ($)	**150,771**	109,502	116,082	**260,273**	226,676
Imputed interest on lease liability ($)	**6,245**	5,526	10,827	**11,771**	22,953
Promissory note interest and accretion ($)	**44,877**	50,301	109,850	**95,178**	200,963
Convertible debenture interest and accretion ($)	**81,591**	226,950	12,078	**308,541**	49,832
GORR financing accretion ($)	**59,791**	74,006	30,727	**133,797**	118,220
Term loan interest and accretion ($)	**675,311**	665,858	488,687	**1,341,169**	890,027
Vendor interest charges ($)	**145,575**	291,270	77,608	**436,845**	107,392
Other interest and bank charges ($)	**-**	5,712	15,880	**5,712**	20,468
Interest and other income (expense) ($)	**(3,347)**	6,204	(176,521)	**2,857**	(327,671)
	1,160,813	1,435,329	685,218	**2,596,142**	1,308,860

Net finance expense of $1,160,813 in Q2 2026 was 19% lower than $1,435,329 in Q1 2026, primarily reflecting lower vendor interest charges and lower convertible debenture interest and accretion following the March 2026 conversions completed under PP11, partially offset by higher finance fees on trade receivables.

Net finance expense was 69% higher than the $685,218 recorded in Q2 2025, primarily attributable to: (i) higher term loan interest and accretion on the increased principal balance and on the secured loans assumed in the Tundra acquisition (Q2 2026 — $675,311; Q2 2025 — $488,687); (ii) lower interest and other income, which reduced finance expense by $3,347 in Q2 2026 compared with $176,521 in Q2 2025; (iii) higher interest and accretion on the convertible debentures issued during 2025, net of a $48,980 adjustment in respect of interest over-accrued prior to the settlement of the debentures through the issuance of units under PP11 (Q2 2026 — $81,591; Q2 2025 — $12,078); and (iv) higher vendor interest charges (Q2 2026 — $145,575; Q2 2025 — $77,608). These increases were partially offset by lower promissory interest and accretion (Q2 2026 — $44,877; Q2 2025 — $109,850) and the absence of other interest and bank charges (Q2 2025 — $15,880).

Finance expenses may decline in future periods to the extent that the Corporation is successful in reducing its outstanding debt through equity conversions, refinancing, or other restructuring initiatives. During the three and six months ended June 30, 2026, the Corporation converted or settled approximately $1.8 million of debt and payables through the issuance of equity instruments and repaid $210,000 of promissory notes in cash, eliminating the carrying cost of those balances; $1,500,000 of 12% promissory notes that matured on March 26, 2026 remain outstanding. The Corporation continues to evaluate further debt-to-equity conversions to reduce the interest-bearing portion of its capital structure.

In addition, the Luseland reactivation program is converting no-reserve-associated (NRA) wells to proved developed producing (PDP) wells, extending their abandonment timing. This is assuming successful completion of planned financing and capital programs necessary to fund the reactivation program. This adjusts the asset retirement obligation (ARO) on the balance sheet and increases the associated accretion expense recognized in finance expense going forward.

5. Capital Spending and Acquisitions

	Q2 2026	Q2 2025	**YTD 2026**	YTD 2025
Cash additions to P&NG assets ($)	**582,305**	1,647,513	**1,325,046**	4,172,233
Decommissioning additions and revisions ($)	**28,087**	337,314	**(58,850)**	114,711
	610,392	1,984,827	**1,266,196**	4,286,944

In Q2 2026, the Corporation invested $0.6 million in capital expenditures, comprising $0.2 million on pipeline infrastructure and facility services, and $0.4 million on plant maintenance and workover activities. These expenditures included the installation of fluid recycle systems and sand suspension chemicals to mitigate potential sand-related production issues.

Additional facility expenditures included the repair and enhancement of the Cuthbert water injection electrical system, which is expected to eliminate future downtime associated with the issues experienced earlier in the period.

Net working interest ownership by area

The following table summarizes the Corporation's net working interest ownership by area:

	June 30, 2026	June 30, 2025
Red Earth	**100%**	100%
Hearts Hill	**100%**	100%
Luseland	**100%**	100%
Cuthbert	**100%**	86%
Pouce Coupe	**85%**	85%
Brooks	**100%**	100%
Wildunn	**97%**	–
Loyalist	**98%**	–
Average working interest	**98%**	95%

6. Liquidity and Capital Resources

Liquidity risk is the risk that the Corporation will not meet its financial obligations as they become due. The Corporation manages its liquidity risk through management of its capital structure and annual budgeting of its revenues, expenditures and cash flows.

The Corporation's financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation has historically met its day-to-day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt. As at June 30, 2026, the Corporation has a working capital deficiency of $39,682,120 (December 31, 2025 – $39,644,749), and an accumulated deficit of $54,598,331 (December 31, 2025 – $51,133,966).

During Q2 2026, the Corporation generated $2.0 million of operating netback, compared to $1.6 million in Q2 2025. The Q2 2026 increase was primarily attributable to higher realized prices, partially offset by lower sales volumes and higher per-boe operating and transportation costs. See Section 4 — Operating Results Summary.

At June 30, 2026, maturities of the Corporation's financial obligations are as follows:

			Timing of cash flows		
	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 3 years
Trade and other payables (Note 6)	$16,244,161	$16,377,461	$15,791,189	$164,150	$ 422,122
Lease liability (Note 7)	187,518	195,925	195,925	–	–
Promissory notes (Note 8)	1,500,000	1,589,260	1,589,260	–	–
Convertible debentures (Note 9)	2,530,559	3,785,598	–	–	3,785,598
GORR financing (Note 10)	3,378,480	3,402,020	3,071,047	–	330,973
Term debt (Note 11)	22,088,547	22,536,261	22,536,261	–	–
	$45,929,265	**$47,886,524**	**$43,183,682**	**$164,150**	**$4,538,693**

(a) 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 three and six months ended June 30, 2026.

		June 30 2026		December 31 2025
Working capital deficit	$	**(39,682,120)**	$	(39,644,749)
Shareholders' deficit	$	**(9,198,214)**	$	(10,537,119)

7. Related Party Transactions

Except as disclosed below, transactions with related parties during the three and six months ended June 30, 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.

- During Q2 2026, the Corporation incurred $60,000 (Q2 2025 — $60,000) of charges from a company controlled by the Executive Chairman and Chief Executive Officer in respect of consulting services. As at June 30, 2026, trade and other payables included $14,811 (December 31, 2025 – $20,375) owing to this related party.

  On June 30, 2026, the Corporation, White Tundra Petroleum Ltd. ("WTP"), a wholly owned subsidiary of the Corporation, White Tundra Investment Ltd. and the Executive Chairman and Chief Executive Officer of the Corporation entered into a mutual release agreement in respect of two related party balances: a receivable of $88,559 owing to WTP by the Executive Chairman and Chief Executive Officer, and a payable of $103,371 owing by the Corporation to White Tundra Investment Ltd., a company controlled by that individual.

  Under the agreement, the receivable owing to WTP was released and discharged in full in consideration of the release and discharge of $88,559 of the payable owing by the Corporation. The remaining $14,811 of the payable continues to be owing by the Corporation and is included in trade and other payables at June 30, 2026. Within the consolidated group, WTP recorded a corresponding amount receivable from the Corporation, which is eliminated on consolidation.

  No consideration was paid or received in cash and no gain or loss was recognized in profit or loss, as the amounts released were equal. The arrangement reduced both consolidated total assets and consolidated total liabilities by $88,559, with no effect on the Corporation's working capital deficiency or consolidated shareholders' deficit.

  The agreement was reviewed and approved by the Board of Directors, with the interested director having declared his interest and abstained from the vote.

- During Q2 2026, the Corporation incurred $26,700 (Q2 2025 — $26,400) of charges from a company controlled by a director of the Corporation in respect of consulting services. As at June 30, 2026, trade and other payables included $64,625 (December 31, 2025 – $94,737) owing to this related party.
- During Q2 2026, the Corporation was charged $nil (Q2 2025 - $36,847) by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at June 30, 2026, trade and other payables included $57,753 (December 31, 2025 – $15,806) owing to this related party.
- On September 4, 2025, the Corporation issued a $112,500 0% promissory note, to a director of the Corporation, 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).

8. Share Capital

Issued and outstanding	Common shares	Share purchase warrants	Stock options
Balance, December 31, 2025	463,252,995	23,406,923	12,404,708
Shares issued for working interest acquisition (a)	5,703,814	5,334,550	
Shares issued on settlement of accounts payable (b)	13,232,243		
Shares issued under PP11- cash subscription (b)	34,753,994	34,753,994	
Shares issued under PP11- debt conversion (b)	38,242,781	38,242,781	
Shares issued under PP11- trade payable settlement (b)	3,428,571	3,428,571	
Shares issued on settlement of accounts payable (b)	6,684,231		
Shares issued on settlement of accounts payable (b)(d)	39,589,235		
Shares issued on settlement of accounts payable (e)	1,265,558		
Shares issued on settlement of accounts payable (f)	2,834,748		
Expired on February 14, 2026 and March 3, 2026		(17,330,000)	(1,250,000)
Expired on May 31, 2026		(3,000,000)	(100,000)
Issued and outstanding balance, June 30, 2026	**608,988,170**	**84,836,819**	**11,054,708**
To be issued			
Shares to be issued under PP11- services payable settlement (c)	9,288,937	9,288,937	
Shares to be issued on settlement of accounts payable (b)(d)	67,620		
Balance, June 30, 2026, including shares and warrants to be issued	**618,344,727**	**94,125,756**	**11,054,708**

The Corporation is awaiting TSX Venture Exchange approval for the following:

- the issuance of 67,620 common shares in respect of additional accounts payable settlements entered into during Q2 2026, at a deemed price of $0.05 per share (refer to FS Note 13(d)); and
- the issuance of 9,288,937 common shares and 9,288,937 common share purchase warrants in respect of the PP11 services payable settlement (refer to FS Note 13(c)).

9. Subsequent Events

(a) Term loan maturity and lender negotiations

As described in Notes 2 and 11, the Corporation's term loan matures on August 31, 2026 pursuant to the amending agreement entered into in April 2026. As at the date of approval of these condensed consolidated interim financial statements, negotiations with the lender are ongoing.

The full carrying amount of $22,088,547 is presented within current liabilities. This matter should be read in conjunction with the material uncertainty related to going concern disclosed in Note 2.

(b) Issuance of shares and warrants previously pending exchange acceptance

Subsequent to June 30, 2026, the Corporation had not yet received TSX Venture Exchange acceptance in respect of (i) the 9,288,937 common shares and 9,288,937 common share purchase warrants issuable in settlement of services payable under PP11 (Notes 13(c) and 14), each presented within "Shares to be issued" and "Warrants to be issued" as at June 30, 2026, and (ii) the 67,620 common shares issuable in settlement of accounts payable (Note 13(d)), each presented within "Shares to be issued" as at June 30, 2026.

(c) Settlement of trade payables through the issuance of common shares

On June 29, 2026, the Corporation announced that it had entered into settlement agreements with three arm's length vendors to settle an aggregate of $42,800 of outstanding trade payables through the issuance of 996,005 common shares, comprising (i) 296,005 common shares at a deemed price of $0.05 per share in settlement of $14,800 owing to two vendors; and (ii) 700,000 common shares at a deemed price of $0.04 per share in settlement of $28,000 owing to one vendor. The shares will be subject to a statutory hold period of four months and one day from the date of issuance, and the issuance remains subject to TSX Venture Exchange acceptance.

10. Contingencies and Commitments

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. Other than normal accruals for earned compensation, no provisions have been recorded in respect of these matters as at June 30, 2026, as management does not consider an outflow of economic resources to be probable, or the amount of any potential loss cannot be reliably estimated.

The most significant claims and disputes outstanding as at June 30, 2026 are summarized below:

(a) **Brooks asset ownership dispute** — The Corporation is a party to a dispute relating to historical transactions and ownership interests associated 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 June 30, 2026 and December 31, 2025, as the outcome and potential financial impact cannot be reliably measured at this time.

(b) **Former CEO compensation claim** — The Corporation is 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 Corporation disputes the claims and intends to defend the matter vigorously.

(c) **Land lease claim** — The Corporation is a party to a claim alleging breaches of land lease obligations, with asserted damages of approximately $500,000. The Corporation disputes the claim and intends to defend the matter.

(d) **Other employment-related matters** — The Corporation is involved in various other employment-related and similar matters, with aggregate asserted amounts of approximately $87,500. These matters are in varying stages and the Corporation is defending its position in each.

The outcome and potential financial impact of each of the matters described above cannot be reliably measured at this time, and accordingly no provision has been recognized in respect of any of them.

11. Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

12. Financial Instruments

The fair values of cash, trade and other receivables, and trade and other payables approximate their carrying amounts due to the short terms to maturity of these instruments. The fair values of the current portions of promissory notes, convertible debentures, GORR financing, and term loans also approximate their carrying amounts on the same basis. At June 30, 2026 and December 31, 2025, the fair value of these balances approximated their carrying amount due to their short terms to maturity. The fair values of non-current trade and other receivables, deposit, lease liability, convertible debentures, promissory notes, GORR financing and term loans are based on the discounted present value of future cash flows and approximate carrying amounts.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. A substantial portion of the Corporation's accounts receivable are with natural gas and liquids marketers and joint operating partners in the P&NG industry and are subject to normal industry credit risks.

The Corporation's maximum exposure to credit risk is as follows:

	June 30 2026	December 31 2025
Cash ($)	**24,446**	116,972
Trade and other receivables – current ($)	**2,146,174**	1,525,300
Trade and other receivables – long-term ($)	**16,604**	68,356
Deposits ($)	**1,500,996**	1,315,673
	3,688,220	3,026,301

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.

	June 30 2026	December 31 2025
0 to 60 days	**2,146,174**	1,355,583
61 to 90 days	**–**	–
Over 90 days	**16,604**	238,073
Total trade and other receivables	**2,162,778**	**1,593,656**

13. Selected Quarterly Information

Unaudited	**Q2 2026**	**Q1 2026**	**Q4 2025**	**Q3 2025**	**Q2 2025**	**Q1 2025**	**Q4 2024**	**Q3 2024**
Working capital deficiency ($)	**(39,682,120)**	(39,048,429)	(39,644,749)	(17,760,564)	(14,779,083)	(17,374,081)	(17,569,867)	(8,744,415)
P&NG sales ($)	**6,184,396**	4,522,137	4,373,743	5,277,864	4,902,540	4,598,472	4,318,916	4,727,708
Income (loss) ($)	**(982,450)**	(2,481,914)	(6,624,689)	(1,972,052)	(984,852)	(1,742,717)	(2,421,477)	(1,285,725)
Income (loss) per share ($)	**(0.00)**	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Capital expenditures ($)	**582,305**	742,742	2,510,722	2,000,767	1,647,513	2,524,720	830,509	2,741,967
WI acquisitions, net ($)	**–**	–	–	8,376,115	–	–	3,325,497	3,357,428

Fluctuations in quarterly P&NG sales and income (loss) are primarily due to the volatility in commodity prices and changes in sales volumes due to production growth and declines tied to the timing of workover activity and working interest acquisitions.

Capital expenditure activity in recent quarters has been focused on well reactivation, workover and facility optimization activities across the Corporation's operating areas. Capital expenditures of $0.6 million in Q2 2026 were lower than prior quarters, reflecting a disciplined program focused on maintenance and optimization ahead of the planned Luseland development ramp, which is subject to completion of the financing described in Section 9.

14. Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from estimated amounts. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and for any future years affected. The Corporation's significant judgments and estimates are disclosed in Note 3 of the Corporation's December 31, 2025 audited annual financial statements.

15. Amended Accounting Policies

The Corporation has reviewed new and amended accounting pronouncements that have been issued and determined that the following amendments are applicable to the Corporation:

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

Effective for Q1, 2026, amendments to IFRS 9 and IFRS 7 provide:

- clarifications to the "solely payments of principal and interest" test to ensure consistent application while maintaining the principle-based approach;
- refinements to the treatment of modifications to financial assets and liabilities upon derecognition;
- guidance for the treatment of financial liabilities settled through electronic payment systems; and
- additional IFRS 7 disclosure requirements to support classification and measurement rules, including derecognition.

IFRS 18 Presentation and Disclosure in Financial Statements

Issued in April 2024 and effective January 1, 2027, IFRS 18 provides guidance to enhance transparency and comparability in financial reporting by introducing requirements for the structured presentation of profit or loss, aggregation and disaggregation of financial data, disclosures of management-defined performance measures ("MPMs") and clarity in the classification of operating, investing, and financing activities in the statement of cash flows. New disclosures must reconcile MPMs to IFRS measures, explaining their relevance and calculation.

16. Business Risks and Uncertainties

The Corporation's business is subject to a number of risks and uncertainties, arising from the nature of oil and natural gas exploration, development and production, from the Corporation's financial position and capital structure, and from the legal, regulatory and environmental framework in which it operates. The risks described below are those that management currently considers most significant. The Corporation seeks to manage these risks through its operating and capital planning processes, its system of internal controls, the maintenance of insurance appropriate to its operations, and ongoing monitoring of its regulatory and contractual obligations, although not all risks can be mitigated or eliminated.

a) Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for a period of at least twelve months from the date of approval of these financial statements.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, including the Corporation's cash flow forecasts, capital commitments, debt maturities, and ability to access additional sources of financing. Management's plans to address the uncertainty include:

(i) Production and revenue growth — continued development of the Corporation's core Cuthbert and Luseland properties to grow production volumes and operating netbacks.
(ii) Operating cost reductions — ongoing optimization of field operations.
(iii) Debt management and extension of maturities.
(iv) Access to additional financing — management continues to pursue additional equity and debt financing, as well as strategic transactions, to support operating and capital requirements.

While management believes that the initiatives described above, together with anticipated cash flow from operations, will be sufficient to meet the Corporation's obligations over the next twelve months, there can be no assurance that these plans will be realized on acceptable terms, within the required timeframes, or at all. Accordingly, a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

The current world-wide economic environment relating to the oil and gas industry has improved access to capital for many companies, including the Corporation. Furthermore, there is potential that future commodity prices and the world-wide economic environment relating to the oil and gas industry, in general, will remain uncertain for an extended period and the Corporation will need to negotiate with its creditors to improve payment terms and/or pursue some form of asset sale, equity financing or other capital raising effort to fund its operations during the next twelve months. To that end, the Corporation is currently, and will continue, on an ongoing basis, examining alternative sources of capital, including potential debt and equity financing and ways to monetize its assets, including, without limitation, asset sales or swaps, joint ventures, corporate mergers, or acquisitions, farmouts or other transactions with industry partners, all with a view to enhancing liquidity and meeting commitments. The need to raise capital or defer expenditures to fund ongoing operations creates uncertainty that may cast doubt over the Corporation's ability to continue as a going concern. There is no certainty that these and other strategies will be sufficient to permit the Corporation to continue as a going concern.

Future oil and natural gas exploitation may involve unprofitable efforts due to wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion, and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field-operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut in of connected wells for various reasons including access issues resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical issues. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

A material change in prices of commodities may affect the Corporation's borrowings, ultimately affecting the raising of equity capital by the Corporation.

b) Commodity Price Risk

The nature of the Corporation's operations results in exposure to commodity fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation. A material change in prices of commodities affected the Corporation's borrowings, ultimately affecting the raising of equity financing. The Corporation did not enter into any financial derivative sales contracts during the periods presented. However, the Corporation sells its production under a physical delivery marketing arrangement that is accounted for as an own-use contract and is therefore not recognized as a derivative as at or during the three and six months ended June 30, 2026. Although improved, petroleum prices are expected to remain volatile for the near future as a result of the market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions, regional conflicts and the ongoing global credit and liquidity concerns.

c) Operational Dependence

The Corporation operates all its own wells in the Cuthbert, Hearts Hill, Luseland, Wildunn, Brooks, Red Earth, Loyalist, and Pouce Coupe properties. The Corporation's dependence on assets operated by others is extremely limited and has increased its working interest beyond the risk of operatorship challenge.

d) Regulatory Compliance

Oil and gas operations (exploration, production, pricing, marketing, and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Corporation will require licenses from various government authorities. There can be no assurance that the Corporation will be able to obtain all the licenses and permits that may be required to conduct operations that it may wish to undertake.

e) Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned, and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

The Corporation anticipates making capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future to replace reserves.

If the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs.

In addition, uncertain levels of near-term industry activity expose the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes including repayment of loan facilities when due or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation.

The inability of the Corporation to access sufficient capital for its operations and capital requirements could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

f) Dilution

The Corporation remains focused on minimal dilution financing options. Any further equity financing will be for the purpose of acquisitions and accelerated capital development activities that add to the NPV value of Prospera to offset and minimize any further dilution. The Corporation has experienced significant share dilution as part of its financing and debt settlement strategy and expects that further equity issuances may be required to meet liquidity needs.

The Corporation has issued a substantial number of common shares in recent periods as part of its financing and debt settlement strategy, and expects that further equity issuances will be required to fund operations, capital development and the settlement of existing obligations.

Management seeks to structure financings so that the proceeds are applied to activities intended to increase production and cash flow, and evaluates non-dilutive and less dilutive alternatives where these are available. However, given the Corporation's working capital deficiency, its near-term debt maturities and its limited access to debt capital, the Corporation's ability to avoid dilutive financing is constrained, and shareholders should expect that further dilution will occur.

g) Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA.

h) Legal, Environmental, Remediation and Other Contingent Matters

The Corporation reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Corporation's management monitors known and potential contingent matters and makes appropriate provisions by charges to earnings when warranted by circumstances.

17. Responsibility for Financial Reporting, Controls & Procedures

The information provided in the Corporation's MD&A and financial statements is the responsibility of management. In the preparation of this information, estimates are sometimes necessary to determine future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely disclosure information.

As the Corporation is classified as a Venture Issuer under applicable securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certifications, which it has done for the three and six months ended June 30, 2026. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2026.

18. Directors, Officers & Other

Directors:

Shubham Garg (Executive Chairman and Chief Executive Officer), Calgary, AB, Canada

Brian McConnell, Calgary, AB, Canada

Mark Lacey, Red Deer, AB, Canada

Matthew Kenna, Calgary, AB, Canada

Officers:

Shubham Garg (Executive Chairman and Chief Executive Officer), Calgary, AB, Canada

Darren Jackson (Chief Operating Officer), Calgary, AB, Canada

Chris Ludtke (Chief Financial Officer), Calgary, AB, Canada

Other:

Corporate Office: Suite 730, 444 – 7th Ave SW, Calgary, AB T2P 0X8

Auditors: MNP LLP Suite 2000, 112 – 4th Ave SW, Calgary, AB T2P 0H3

Legal Counsel: Dentons Canada LLP Suite 1500, 850 – 2nd St SW, Calgary, AB T2P 0R8

Transfer Agent: Computershare Trust Company of Canada 100 University Ave., 11th Fl, South Tower, Toronto, ON M5J 2Y1

Bank: ATB Financial 102 – 8th Ave SW, Calgary, AB T2P 1B3