



Prospera Energy Inc. (TSXV: PEI) Reactivation-Led Growth Drives Production and Cash Flow Turnaround; Initiate with BUY

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Investment Highlights

- ◆ **Prospera Energy Inc. (TSXV: PEI; OTC: GXRFF)** is a Canadian heavy-oil producer pursuing a reactivation-led turnaround. The company is focused on redeveloping mature oil assets in Saskatchewan and Alberta through well reactivations, targeted workovers and waterflood optimization. Its strategy prioritizes adding production through existing wellbores and infrastructure rather than capital-intensive exploration and new drilling.
- ◆ **Capital-efficient reactivations are delivering results.** Prospera's 17-well Luseland program generated C\$1.70 million in operating income on C\$1.64 million of capital, with an average payout of 9.6 months. Luseland production increased more than fourfold to 244 boe/d by June 2026, without new drilling.
- ◆ **Large, under-recovered resource base supports long-term growth.** Prospera holds over 400 MMbbl of OOIP, with historical recovery of just 3%-8%. Its 140 identified reactivation opportunities, including 41 Tier-1 candidates, and 8.88 MMboe of 2P reserves provide a substantial development runway.
- ◆ **Q2/26 marked a significant operating turnaround.** Revenue rose 37% QoQ to a five-year high of C\$6.2 million, while operating netback nearly tripled to C\$29.65/boe. Operating cash flow turned positive at C\$1.5 million, demonstrating improving operating leverage.
- ◆ **Debt extension improves financial flexibility, despite dilution risk.** Extending the C\$20.74 million senior loan to August 2028 removes the immediate refinancing overhang. The proposed C\$12 million equity raise should fund further reactivations and production growth, although it will materially increase the share count
- ◆ **Based on our analysis and valuation models, we are initiating coverage with a BUY rating and fair value estimate of \$0.06 per share.**

Key Financial Data (FYE - Dec 31) (C\$)	FY 2025		Q2 2026	
Cash and Equivalents	\$	116,972	\$	24,446
Working capital	\$	(39,761,721)	\$	(39,706,566)
Total assets	\$	59,068,159	\$	342,619
Net Income (loss)	\$	(11,324,310)		(982,450)
EPS for the 3M	\$	(0.03)	\$	(0.00)

Current Price*	\$0.03
Fair Value	\$0.06
Projected Upside	107.46%
Action Rating	BUY
Perceived Risk	VERY HIGH
Shares Outstanding	608,988,170
Market Cap.	\$18,269,645
P/E	NM
P/B	NM
YOY Return	-40.00%
YOY TSXV Return	-8.31%

* Note: all \$ amounts are C\$ unless otherwise stated

TSXV: PEI PRICE AND VOLUME HISTORY



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Prospera is a heavy-oil turnaround and reactivation story. The company is redeveloping mature Saskatchewan and Alberta assets by bringing shut-in wells back online, optimizing waterfloods and using existing infrastructure to add barrels at low capital intensity. The model is designed to convert legacy, under-recovered reservoirs into production and cash flow rather than chase higher-risk exploration.

The thesis is anchored at Luseland, Prospera's flagship asset. The 2024/25 program deployed C\$1.64M across 17 reactivations, generated C\$1.70M of operating income, and achieved a 9.6-month average payout. Five of seven wells have already exceeded 2x cash-on-cash returns. Luseland experienced a more than four-fold increase in production from 54 boe/d in November 2024 to 244 boe/d in June 2026, without new drilling. Prospera estimates 400+ MMbbl of OOIP with only 3%-8% recovered, and has identified roughly 140 reactivation targets, including 41 Tier-1 candidates. This ensures a multi-year growth runway that can be developed largely through existing wellbores rather than new drilling.

Q2 2026 marked the clearest inflection in Prospera's turnaround. Sales revenue reached C\$6.2 million, or C\$91.17/boe, the highest level in five years, while operating netback nearly tripled sequentially to C\$29.65/boe. Operating cash flow of C\$1.5 million turned positive. June operating income was roughly 4x January levels, while the cost base remained broadly flat sequentially, providing early evidence of operating leverage as production scales.

The offset remains the balance sheet, although the risk profile has improved following the extension of the C\$20.74 million senior term loan to August 2028 (from August 2026), which removes the immediate refinancing overhang. Prospera still carries high-cost debt and faces substantial prospective dilution from the proposed September 2026 C\$12M equity raise, but the debt extension gives management time to convert reactivation spending into higher production and cash flow.



Source: Prospera Energy

CAPITAL-EFFICIENT REACTIVATION STRATEGY PROVIDES A LOWER-RISK PATHWAY TO SCALABLE PRODUCTION GROWTH

Prospera's operating model is differentiated by its focus on reactivating existing heavy-oil wells rather than committing capital to exploration or new drilling. The 2024/25 Luseland reactivation program comprised 17 reactivations using only C\$1.64 million of capital and produced \$1.70 million in operating income. Average payout across the 2025 program was 9.6 months, with the fastest wells paying back in six months. Five of the seven wells that reached payout have already generated more than 2x cash-on-cash returns. Individual well economics have been compelling, with several wells producing net cash of C\$90,000-C\$218,000 above invested capital and cash-on-cash multiples of 2.4x-3.0x.

The top seven wells together now generate enough net operating income to fund one additional C\$150,000 reactivation every month. Management is targeting a cadence of roughly six reactivations per month, funded from free cash flow and existing capital, implying that growth can increasingly be supported internally rather than through repeated equity issuance.

Figure 1: Reactivation Economics of Top Seven Wells

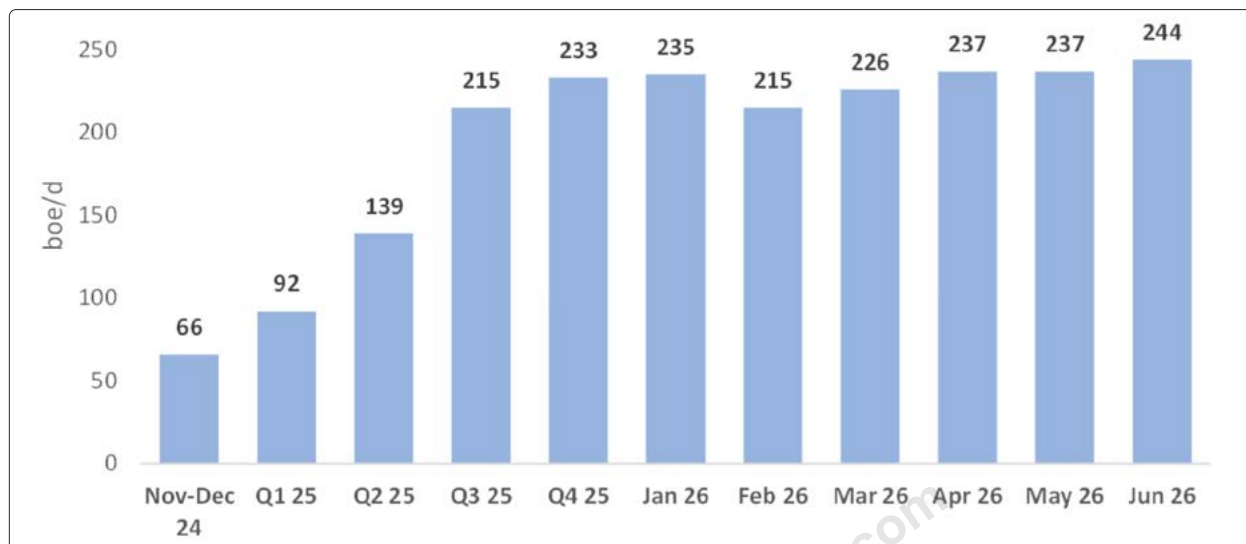
Well	Restart	Sales (boe)	Op. income (C\$)	Margin	Capex (C\$)	Net cash × capex	Payout
D10-7-36-25	Jul '25	9,343	370,200	56.4%	152,100	C\$218.1K - 2.4x	6 mo - Jan '26
1-17-36-25	Mar '25	5,436	185,000	47.0%	61,700	C\$121.8K - 3.0x	7 mo - Oct '25
A16-7-36-25	Mar '25	7,540	298,200	50.0%	114,600	C\$183.7K - 2.6x	12 mo - Mar '26
D12-28-35-25	Mar '25	3,388	149,500	57.6%	59,400	C\$92.4K - 2.6x	11 mo - Feb '26
C10-8-36-25	Mar '25	7,470	263,900	47.4%	105,300	C\$158.8K - 2.5x	9 mo - Dec '25
3-9-36-25	Nov '24	7,457	204,900	38.2%	117,900	C\$87.1K - 1.7x	13 mo - Dec '25
10-18-36-25	Jul '25	3,095	134,800	58.6%	109,800	C\$25.1K - 1.2x	9 mo - Apr '26
PROGRAM -17 WELLS		52,951	1,700,000	43.8%	1,640,000	+C\$60.1K - 1.0x	Recovered Jun '26

Source: Company Presentation

Four wells from the 2025 program have each produced for more than 365 days and collectively delivered over 30,000 barrels and C\$800,000 of net revenue. Well 10-7, reactivated for roughly C\$157,000, was producing 36 bbl/d by the end of June and had generated roughly 2.4x payback. Well 10-8 improved from 8-10 bbl/d at a 60% oil cut to roughly 30 bbl/d at an 80% oil cut, supporting a 2.5x payback, while Well 16-7 increased from only 1-2 bbl/d at a 99.9% water cut to a peak of 47 bbl/d, generating a 2.6x payback. Elsewhere, Well 3-2 increased from 5-6 bbl/d to 15-18 bbl/d and had generated more than C\$200,000 of year-to-date revenue, while Well 7-33 was producing 18-20 bbl/d with further sand management work underway.

The reactivations resulted in more than a four-fold jump in Luseland production from 54 boe/d in November 2024 to 244 boe/d in June 2026. Furthermore, management has identified 140 reactivation opportunities, including 41 Tier-1 candidates, providing several years of potential development inventory at the company's targeted pace of six wells per month. The majority of these wells have been inactive for the past 20-30 years, and the Company remains confident it can bring individual wells from service rig arrival to first production within 36 hours, underscoring the speed and capital efficiency of its reactivation model.

Figure 2: Luseland's Production Growth



Source: Company Presentation

Prospera estimates more than 400 million barrels of original oil in place, with only 3%-8% being recovered to date, leaving ample runway for production growth. Program capital efficiency has been roughly C\$11,000 per boe/d, while fixed costs have remained broadly stable even as production has increased. In our view, the combination of a large inventory, low capital intensity and fast payouts ensures visible pathway to production growth, while limiting risk and dependence on external funding.



Source: Prospera Energy

SUPPORTIVE PRICE ENVIRONMENT FOR CANADIAN HEAVY OIL PRODUCERS

Canadian heavy-oil producers continue to benefit from a supportive commodity environment driven by persistent Middle East supply disruptions, constrained Gulf exports and sharply lower global inventories. According to the IEA's September 2026 Oil Market Report, global observed oil inventories fell 95 million barrels in August 2026, taking cumulative draws since February 2026 to 507 million barrels, or an average of 2.8 mb/d. The IEA cautioned that if Gulf supply remains constrained and commercial inventories continue to deplete, higher prices and additional demand destruction may be required to rebalance the market.

Strategic inventories have also provided less of a cushion than at the start of the year. In March 2026, IEA member countries agreed to release 426 million barrels of emergency oil stocks. Prior to that action, OECD governments held approximately 1.25 billion barrels of emergency reserves, alongside roughly 600 million barrels of industry stocks held under government obligation. By May 2026, OECD government inventories had already declined by 163 million barrels to their lowest level since December 1990, with a further 44 million barrels released in June and another 19 million barrel draw in August 2026. The IEA currently forecasts WTI crude oil to be around \$84.65/bbl in 2026 and \$69.74/bbl in 2027.

For Prospera, this backdrop provides meaningful operating leverage. Reactivation capital is largely fixed at roughly C\$150,000 per well, while revenue and operating cash flow rise directly with realized heavy-oil pricing. Q2 2026 already provided evidence of this leverage. Realized revenue increased to C\$91.17/boe, while field operating costs declined sequentially to C\$47.45/boe, driving operating netback to C\$29.65/boe from C\$10.99/boe in Q1 2026 and expanding netback margin to roughly 33% from 16%. Higher realizations therefore not only improve near-term profitability, but also shorten well payouts and accelerate the recycling of cash into additional reactivations.



Source: Prospera Energy

CAPITAL STRUCTURE RESET EXTENDS THE RUNWAY, BUT COMES WITH MEANINGFUL DILUTION

Prospera has taken several steps in 2026 to reduce near-term balance sheet pressure and redirect capital toward production growth. The company amended its C\$20.74 million senior term loan, extending maturity by two years from August 31, 2026 to August 31, 2028, while retaining the existing 12% annual interest rate and monthly interest payments. This removes a major near-term refinancing overhang and provides Prospera with a two-year window to prioritize production, cash flow and reserves growth. While the maturity extension improves liquidity timing, the 12% coupon remains expensive, implying annual interest expense of ~C\$2.5 million.

In parallel, Prospera is raising C\$12 million via a non-brokered equity financing. The offering plans to issue up to 400 million units at C\$0.03 per unit, with each unit comprising one common share and one two-year warrant exercisable at C\$0.05. Net proceeds will be specifically for the Luseland reactivation and optimization programs and Cuthbert workovers, which should increase production and cash flow. However, the fundraising will result in substantial dilution.

A fully subscribed C\$12 million raise would require issuance of 400 million new shares, together with 400 million warrants. Full exercise of those warrants at C\$0.05 will create another significant layer of dilution. Additionally, the company has been using equity to clean up trade liabilities. It settled C\$202,531 of trade payables through 5.50 million shares and 1.25 million warrants, in addition to C\$72,671 of vendor liabilities being settled through 1.78 million shares.

We view the balance sheet restructuring positively as it removes near-term liquidity overhang, allowing Prospera to aggressively ramp up production. The proposed equity raise could fund a sizeable reactivation and workover program as well. If Prospera can sustain sub-one-year well payouts, incremental capital should earn returns well above its 12% debt cost and help offset dilution through higher production and cash flow.



Source: Prospera Energy

BUSINESS OVERVIEW

Prospera Energy Inc. is a Calgary-based Canadian oil and gas producer focused on the development and optimization of mature oil assets in Saskatchewan and Alberta. The company produces heavy oil mainly by reactivating shut-in wells. This allows the Company to significantly lower its upfront investment, given just C\$150,000 in capital required to reactivate a well. The Company's core assets include Luseland, Cuthbert, Hearts Hill, Brooks and White Tundra Petroleum.

Cuthbert (100%-owned): Cuthbert is a multi-zone Saskatchewan asset with exposure to Basal Mannville oil as well as Viking and Colony gas. The field is characterized by shallow, unconsolidated sands with more than 30% porosity and permeability above 1 darcy, while historical recovery has been only about 9%-10%. At year-end 2025, the asset held 544 Mboe of PDP reserves, 2.2 MMboe of 1P reserves and 3.7 MMboe of 2P reserves.

Cuthbert's near-term strategy centres on reactivations, waterflood optimization, and targeted workovers, rather than new drilling. Prospera has identified additional heel-perforation and restart candidates, while two pipeline replacements and a water-plant upgrade have added more than 3,000 m³/d of injection capacity.

Luseland (100%-owned): The asset contains 282 MMbbl of original oil in place (OOIP) with exposure to multiple zones such as Bakken and Waseca. Prospera is targeting legacy suspended wells in the Bakken using CHOPS techniques, with 18 reactivations completed and 42 additional Tier-1 candidates identified. The reservoir characteristics, including 12° API oil, >33% porosity and >2 darcy permeability support continued optimization through pump upgrades, recycle pumping and active sand management

At YE25, the asset carried 374 Mboe of PDP, 1.31 MMboe of 1P and 1.65 MMboe of 2P reserves. We view Luseland as Prospera's flagship asset with a under-recovered resource base, large reactivation inventory and existing infrastructure which provides a clear pathway to production growth.

Figure 3: Luseland Reserves at December 31, 2025

Reserve metric	PDP	1P	2P
MBOE	374	1,306	1,645
OOIP (MMBBL)	282,228	282,228	282,228
Recovery Factor (%)	8	8	8
NPV10 (BT) C\$MM	9	29	38

Source: Company Presentation

Hearts Hill: is a 100%-owned asset with multiple producing zones such as the Bakken and Sparky Oil. The property contains approximately 42 MMbbl of OOIP with only 10% historical recovery. Near-term growth is centered on well restarts, targeted workovers and waterflood optimization, supported by existing processing and pipeline infrastructure.

At YE25, Hearts Hill held 367 Mboe of PDP, 1.63 MMboe of 1P and 2.07 MMboe of 2P reserves. We view the asset as a lower-risk optimization opportunity, with additional upside from Sparky and Waseca development.

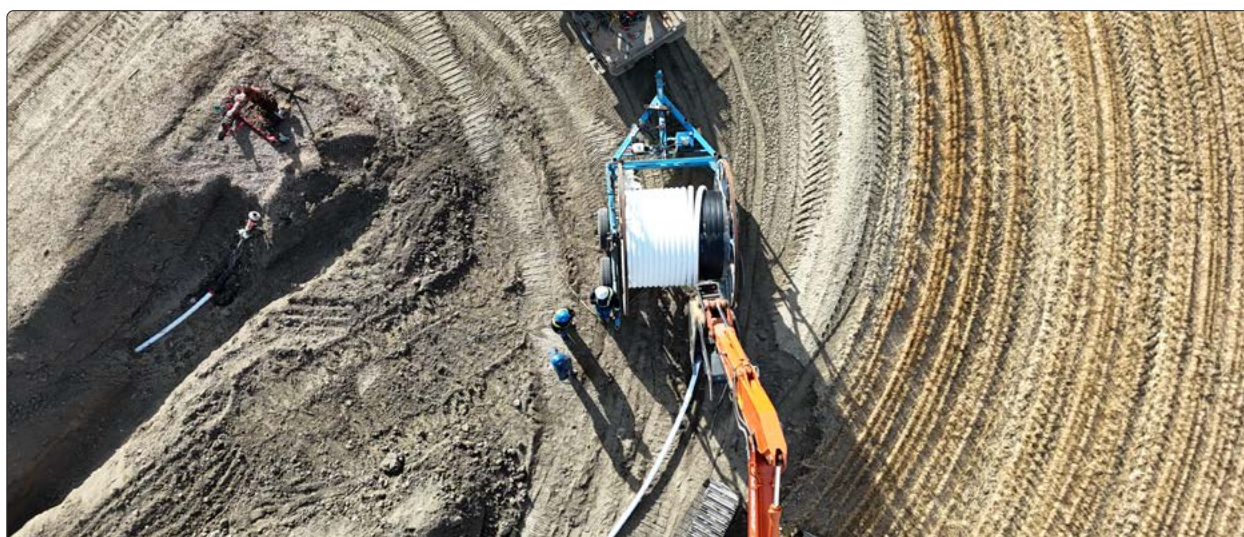
Figure 4: Hearts Hill Reserves at December 31, 2025

Reserve metric	PDP	1P	2P
MBOE	367	1,634	2,070
OOIP (MMBBL)	42,030	42,030	42,030
Recovery Factor (%)	10	10	10
NPV10 (BT) C\$MM	9	44	57

Source: Company Presentation

Brooks: Brooks provides Prospera with exposure to 25°-30° API oil and a different reservoir profile from its Saskatchewan heavy-oil core. Management characterizes the asset as a new pool development opportunity with ~1 MMbbl analogue pools, with the near-term strategy focused on acid stimulation, dewaxing and pressure support through waterflooding.

White Tundra Petroleum: Prospera completed the acquisition of White Tundra Petroleum on August 29, 2025, adding medium-oil assets and broadening its production base. Management's near-term focus is on integrating the acquired properties into field operations and capturing a full year of consolidated production in 2026.



Source: Prospera Energy

PRODUCTION AND RESERVE PROFILE

Prospera exited 2025 at approximately 745 boe/d of Q4 net sales volumes, up 19% YOY, while full-year sales volumes increased 14.5% to 273,333 boe. The reserve base also expanded materially and remains heavily liquids-weighted, with liquids representing approximately 94% of 2P reserves.

The reserve mix is important to the investment case. At YE25, only about 19% of 2P reserves were classified as PDP, with the balance held in PDNP (proved undeveloped and probable categories). That creates substantial conversion potential as Prospera advances reactivations, workovers and development activity, but also means a meaningful portion of the reserve base remains dependent on future capital deployment.

Reserves (gross)	YE 2024	YE 2025	Change %
PDP (Mboe)	1,373	1,655	21%
PDNP (Mboe)	745	1,204	62%
Total Proved (1P) (Mboe)	4,792	6,154	28%
Proved + Probable (2P) (Mboe)	6,793	8,884	31%
1P reserve life index (yrs)	26.7	40.7	52%
2P reserve life index (yrs)	31.7	50	58%

Source: Company Filings



Source: Prospera Energy

Q2 OPERATING PERFORMANCE

Q2 2026 revenue increased 37% QOQ and 26% YOY, primarily on a 31% sequential increase in realized pricing to C\$91.17/boe, with volumes modestly higher QOQ. Total operating costs were broadly unchanged sequentially at C\$3.2 million, despite higher production. That allowed a large portion of the incremental revenue to convert into netback, lifting operating netback to C\$2.01 million from C\$0.71 million in Q1 2026 and netback per barrel to C\$29.65 from C\$10.99. We note that the June operating income was 4x January levels, highlighting the sensitivity of the model to stronger realizations on a relatively fixed cost base.

Q2 2026 operating cash flow was C\$1.5 million, an important indicator of internal funding capacity. For a business focused on reactivations, the ability to fund at least part of the capital program from operating cash flow is central to reducing dependence on external capital over time.

Field operating costs declined 5% QOQ to C\$47.45/boe, but remained 29% above Q2 2025 levels. 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. Prospera's G&A base is largely fixed, comprising personnel, public-company costs, professional fees and core systems that do not scale directly with production. As volumes increase through the Luseland development program and the broader reactivation inventory, we expect G&A per boe to decline, with fixed corporate costs spread across a larger production base. This should provide an additional source of operating leverage through the balance of 2026 and beyond.

Metric	Q2 2026	Q1 2026	Q2 2025	QOQ Change	YOY Change
Average production (boe/d)	745	720	780	3%	(4%)
Revenue (C\$M)	6.18	4.52	4.9	37%	26%
Realized price (C\$/boe)	91.17	69.75	69.03	31%	32%
Operating costs (C\$/boe)	47.45	49.9	36.86	(5%)	29%
Operating netback (C\$M)	2.01	0.71	1.61	183%	25%
Operating netback (C\$/boe)	29.65	10.99	22.73	170%	30%
G&A expenses (C\$M)	0.74	0.75	0.68	(1%)	9%
Operating cash flow (C\$M)	1.49	-0.56	-0.45	NM	NM

Source: Company Filings

CAPITAL STRUCTURE

Prospera's capital structure remains the principal constraint on the equity story. The company carries relatively high-cost debt and a working capital deficit. It has relied on equity issuance and shares-for-debt settlements to fund growth and reduce legacy liabilities.

During Q2, Prospera settled C\$170,476 million of trade payables via issuance of 4,100,306 shares at C\$0.042. The company also entered into agreements to settle a further C\$42,800 of trade payables through the issuance of 996,005 shares. While these transactions improve near-term liquidity and reduce cash obligations, they add incremental dilution to an already expanding share base.

The dilution is likely to increase further following the proposed C\$12 million non-brokered private placement announcement during the quarter. The Company will issue 400 million units at C\$0.03, for gross proceeds of up to C\$12 million. Each unit comprises one common share and one two-year warrant exercisable at C\$0.05. A fully subscribed offering would add 400 million shares, taking the basic share count to roughly 1.0 billion, or about 66% above the current level, before considering warrant exercise. The accompanying 400 million warrants could ultimately provide another C\$20 million of capital at C\$0.05 but would introduce a second layer of dilution if exercised.

One key milestone subsequent to the quarter was the extension of the senior term loan payment from August 2026 to August 2028; it removes the immediate refinancing concern and gives management additional time to translate reactivation spending into higher production and cash flow. However, the 12% coupon remains high and translates into an annualized interest expense of C\$2.5 million based on C\$20.74 million of principal.

The 2028 term loan extension removes the near-term refinancing concerns, but high-cost debt, a working capital deficit and dilution risk remain. The proposed C\$12 million raise should improve liquidity and fund reactivations but will increase the share count. The key is whether the new capital generates sufficient incremental cash flow to support debt service and reduce Prospera's dependence on future equity issuance. Until then, balance sheet leverage and dilution are likely to remain key constraints on valuation.

The following table outlines the company's outstanding options and warrants.

Options	Strike	Exercise Value
7,040,000	\$ 0.05	\$ 352,000
2,385,000	\$ 0.06	\$ 143,100
100,000	\$ 0.07	\$ 7,000
666,668	\$ 0.08	\$ 50,000
350,000	\$ 0.10	\$ 35,000
400,000	\$ 0.11	\$ 44,000
15,000	\$ 0.12	\$ 1,800
98,040	\$ 0.13	\$ 12,255
Warrants	Strike	Exercise Value
3,076,923	\$ 0.10	\$ 307,692
5,334,550	\$ 0.05	\$ 266,728
76,425,346	\$ 0.05	\$ 3,821,267
400,000,000	\$ 0.05	\$ 20,000,000

The company currently has 11.05 million options (weighted average exercise price of \$0.06 per share) and 484.8 million warrants (weighted average exercise price of \$0.05 per share) outstanding, including the 400 million warrants once the C\$12M financing is finalized. At this time, none of the options and warrants are in-the-money

MANAGEMENT OVERVIEW

Management and other strategic shareholders together own a total of 28.1% of outstanding shares. We see insider shareholding as a positive indicator, as it implies that management and the board are likely to be aligned with investors in their interests and motivations. The table below outlines insider and strategic shareholding:

Name	Position	Shares	% of Total
Shubham Garg	CEO	10,712,001	1.76%
Matthew Kenna	Director	7,349,345	1.21%
Brian McConnell	Director	4,463,794	0.73%
Mark Lacey	Director	1,870,000	0.31%
Christopher Ludtke	CFO	805,333	0.13%
Darren Jackson	COO	285,000	0.05%
		25,485,473	4.18%
Other Major Investors			
Vittorio Valsecchi		56,100,000	9.21%
David Richardson		47,626,159	7.82%
Peter Lacey		41,998,864	6.90%
		145,725,023	23.93%
Total		171,210,496	28.11%

Source: Capital IQ, Couloir Capital

The biographies of key management individuals (as provided by the company) are outlined in Appendix 2.

DISCOUNTED CASH FLOW (DCF) MODEL

We value Prospera using a DCF approach, which we believe is appropriate given the company's defined reserve base, reactivation-led production strategy and improving operating leverage. Our model generates an enterprise value of C\$76.9 million. After adding C\$12.0 million of cash and deducting C\$29.5 million of debt, we derive an implied equity value of approximately C\$59.4 million, or C\$0.06/share based on a pro forma share count of 1.01 billion shares, compared with the current market price of approximately C\$0.03/share. We have not included decommissioning liabilities in our calculations.

The forecast period is anchored to the reserve base rather than an arbitrary terminal year. Prospera reported 8.88 MMboe of 2P reserves at FY2025. We apply a 90% realization factor, giving approximately 8.0 MMboe of recoverable production for valuation purposes. Our production model generates cumulative output of approximately 8.0 MMboe from 2026E through 2040E, effectively exhausting the risk-adjusted reserve base over the explicit forecast period. We therefore extend the DCF through 2040 rather than applying a conventional perpetual growth terminal value.

Our production forecast begins with the existing production base and progressively adds output from the reactivation program. Average production increases from approximately 804 boe/d in 2026E and 1,011 boe/d in 2027E to a peak of 1,867 boe/d in 2034E, before declining as reactivation activity slows and natural field decline increasingly offsets incremental production. We assume 8 bbl/d of incremental production per reactivated well and a 10% annual decline rate.

Our commodity assumptions are also relatively measured. WTI declines from US\$75.41/bbl in 2027E toward approximately US\$70/bbl over the longer term. This supports realized pricing broadly around C\$80-85/boe through much of the forecast period.

Higher production drives meaningful operating leverage. Operating netback rises from approximately C\$30.92/boe in 2027E to C\$48.5/boe at peak, while unlevered EBITDA increases from C\$7.7 million in 2027E to approximately C\$30.0 million in 2034E. Unlevered free cash flow reaches approximately C\$19.7 million at peak, before moderating alongside the modelled production decline.

Our C\$0.06/share fair value assumes Prospera converts approximately 90% of its booked 2P reserve base into production over the forecast horizon, while maintaining the modelled reactivation economics and decline profile. Stronger reserve conversion or better per-well productivity would provide upside, while weaker well performance, wider heavy-oil differentials or higher operating costs would reduce value.

DCF (C\$M)	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E
Production (Mboe)	369.2	472.4	524.4	537.7	578.8	637.7	676.2	681.6	657.2	617.8	567.7	510.9	459.8	413.8
Revenue	31.4	37.4	41.6	43.5	46.8	53.3	56.5	56.9	54.9	51.6	47.4	42.7	38.4	34.6
Royalties	(3.8)	(4.5)	(5.0)	(5.2)	(5.6)	(6.4)	(6.8)	(6.8)	(6.6)	(6.2)	(5.7)	(5.1)	(4.6)	(4.1)
Operating costs	(16.2)	(18.0)	(18.4)	(17.7)	(17.4)	(17.9)	(17.6)	(17.0)	(18.4)	(18.5)	(18.7)	(17.9)	(17.5)	(16.6)
Operating netback	11.4	14.9	18.2	20.5	23.8	29.0	32.1	33.0	29.9	26.9	23.0	19.7	16.3	13.9
Netback (C\$/boe)	30.92	31.64	34.75	38.19	41.19	45.48	47.48	48.48	45.48	43.48	40.48	38.48	35.48	33.48
G&A	(3.7)	(3.8)	(3.1)	(3.0)	(2.9)	(3.1)	(3.0)	(3.1)	(3.2)	(3.1)	(3.1)	(3.1)	(3.0)	(2.7)
EBITDA	7.7	11.2	15.1	17.6	20.9	25.9	29.1	30.0	26.7	23.8	19.9	16.6	13.3	11.2
Cash taxes	-	-	-	(1.8)	(2.1)	(3.1)	(4.4)	(4.5)	(4.0)	(3.6)	(3.0)	(2.5)	(2.0)	(1.7)
Capex	(7.2)	(7.2)	(3.0)	(3.8)	(6.0)	(6.0)	(4.5)	(3.0)	(1.5)	(1.2)	-	-	-	-
Change in WC	(0.6)	(1.4)	(2.2)	(2.3)	(2.4)	(2.5)	(2.6)	(2.8)	(2.7)	(2.6)	(2.3)	(2.1)	(1.9)	(1.7)
FCFF	(0.1)	2.5	9.9	9.8	10.5	14.3	17.6	19.7	18.5	16.4	14.6	12.0	9.5	7.8
PV of Cash flows	(0.1)	2.1	7.4	6.7	6.5	8.1	9.0	9.2	7.9	6.3	5.1	3.8	2.7	2.1
Enterprise Value (C\$M)	76.9													
Cash	12.0													
Debt	29.5													
Implied equity (C\$M)	59.4													
Shares (M)	1,009													
Fair value per share (C\$)	0.06													

Source: Couloir Capital

COMPARABLES VALUATION

We use an EV/2P reserves (C\$/boe) methodology, benchmarking Prospera against a group of Canadian conventional oil producers with meaningful heavy-oil exposure. The peer group trades at an average of approximately C\$11.9/boe of 2P reserves, compared with Prospera's current valuation of only C\$5.5/boe.

The closest comparables are Hemisphere Energy, Prairie Provident Resources, Journey Energy and Lycos Energy. Hemisphere is particularly relevant given its concentrated heavy-oil production base and Saskatchewan/Alberta exposure. The remaining peers, namely Rubellite, Cardinal, Obsidian and Baytex, are substantially larger and more diversified, but provide useful context for how the market values an established Canadian oil reserve base.

Hemisphere, which we view as one of the better operating comparisons for Prospera, trades at approximately C\$12.9/boe, close to the peer group average. Prospera's current C\$5.5/boe sits toward the lower end of the peer range despite its improving operating performance.

We nevertheless apply a 20% discount to the C\$11.8/boe peer average, resulting in a target multiple of C\$9.4/boe. We believe a discount is appropriate given Prospera's smaller production scale, higher financial leverage, reliance on continued reactivation execution and materially greater prospective dilution. Applying C\$9.4/boe to Prospera's approximately 8.9 MMboe of 2P reserves yields an implied enterprise value of approximately C\$83.7 million. After adding C\$12.0 million of pro forma cash and deducting C\$29.5 million of debt, we derive an equity value of approximately C\$66.2 million, or C\$0.07/share based on a share count of 1.01 billion shares.

The table below outlines our peer group selection:

Name	Market Cap (C\$)	EV (C\$)	2P (MMBoe)	EV/2P Reserves (C\$/boe)
Hemisphere Energy	211,120,244	197,605,244	15.2	13.0
Prairie Provident Resources	14,495,180	75,371,179	24.3	3.1
Journey Energy	338,755,549	384,302,548	86.3	4.5
Lycos Energy	237,334,972	221,870,971	8.3	26.8
Rubellite Energy	377,478,000	496,932,000	53.1	9.4
Cardinal Energy Ltd	2,079,114,633	2,206,278,633	147.6	14.9
Obsidian Energy	980,198,623	1,354,698,623	158.4	8.6
Baytex Energy Corp	4,495,856,000	3,925,004,000	281.9	13.9
Average				11.8
Prospera Energy Inc.	18,269,645	48,516,575.0	8.9	5.5

Source: Couloir Capital, Public Disclosures

CONCLUSION

After accounting for our valuation models (50:50 weight), we have arrived at a fair value per share estimate of \$0.06 per share. We maintain our BUY rating, and expect the following catalysts to materially impact our valuation estimate:

- ◆ Progress toward management's target of six well reactivations per month, including updates on production additions, well productivity and payout periods.
- ◆ Quarterly production and operating results, particularly continued growth at Luseland, improved operating netbacks and the ability to fund reactivations through internally generated cash flow.
- ◆ Updates on the proposed equity raise, deployment of proceeds and any resulting changes to the company's capital structure or dilution.
- ◆ Progress in converting the company's 8.88 MMboe of 2P reserves into producing reserves through reactivations, targeted workovers and waterflood optimization.

The following outlines some of the key risk considerations that investors should keep in mind when evaluating PEI as an investment opportunity:

- ◆ **Funding and liquidity risk.** Prospera operates with a working capital deficit and high-cost debt, leaving the company dependent on continued access to external capital. Prospera announced a new C\$12 million offering in September 2026. Any delay or failure to close funding could constrain the development program and tighten liquidity.
- ◆ **Dilution risk.** The share count currently stands at 609 million. The new offering announced in September, if fully subscribed, could add another 400 million to the share count. Together with the associated warrants and any further shares-for-debt settlements, the share count could increase further, materially diluting per-share value.
- ◆ **Commodity price risk:** Cash flow remains highly sensitive to oil prices and the WCS differential. Recent margin improvement was largely driven by stronger heavy-oil realizations, but a reversal in benchmark pricing or widening differentials could compress netbacks.
- ◆ **Execution risk.** The investment case depends on successful execution of the reactivation strategy. Failure to scale the program as expected could limit production growth and returns. Reactivated wells may underperform, require additional servicing, decline faster than anticipated or fail to achieve targeted payout periods.

APPENDIX 1

Income Statement (in C\$M)	2025A	2026E	2027E	2028E
Revenue	19.2	27.1	31.4	37.4
Royalties	-2.3	-3.2	-3.8	-4.5
Net Revenue	16.9	23.8	27.7	32.9
Operating costs	13.2	14.1	16.2	18.0
G&A	2.9	2.9	3.7	3.8
Depletion and depreciation	4.0	4.9	5.0	5.2
Impairment	4.3	0.0	0.0	0.0
Accretion	0.7	0.0	0.0	0.0
Share-based compensation	0.2	0.3	0.3	0.4
Loss from operations	-8.5	1.6	2.4	5.5
Finance expense	3.5	3.3	3.2	3.0
Gain (loss) on debt settlements	0.7	0.0	0.0	0.0
Pre-tax profit (loss)	-11.3	-1.7	-0.8	2.5
Income tax	0.	0.0	0.0	0.0
Net profit (loss)	-11.3	-1.7	-0.8	2.5

Balance sheet (in C\$M)	2025A	2026E	2027E	2028E
Cash	0.1	11.4	7.3	6.1
Trade and other receivables	1.5	2.2	3.1	4.5
Prepaid expenses and deposits	0.3	0.4	0.9	1.1
Inventory	0.9	1.3	2.5	3.0
Total current assets	2.9	15.3	13.9	14.7
Trade and other receivables	0.1	0.1	0.1	0.1
Deposits	1.3	1.3	1.3	1.3
Property & equipment	54.7	53.5	55.6	57.6
Total assets	59.0	70.1	70.9	73.7
Trade and other payables	17.1	17.6	18.9	18.7
Current portion of lease liability	0.3	0.3	0.3	0.3
Promissory notes	1.9	1.9	1.9	1.9
Convertible debentures	0.0	0.0	0.0	0.0
GORR financing	2.9	2.9	2.9	2.9
Term loan	19.7	19.7	19.7	19.7
Current portion of decommissioning obligation	0.7	0.7	0.7	0.7
Total current liabilities	42.5	43.1	44.3	44.2
Trade and other payables	1.0	1.0	1.0	1.0
Lease liability	0.0	0.0	0.0	0.0
Convertible debentures	2.9	2.9	2.9	2.9
GORR Financing	0.3	0.3	0.3	0.3
Term loan	1.4	1.4	1.4	1.4
Decommissioning obligation	21.4	21.4	21.4	21.4
Total liabilities	69.5	70.1	71.3	71.2
Share capital	33.1	45.4	45.7	46.1
Share purchase warrants	0.8	0.8	0.8	0.8
Contributed surplus	5.7	5.7	5.7	5.7
Equity portion of convertible debentures	1.0	1.0	1.0	1.0
Deficit	-51.1	-52.8	-53.6	-51.1
Total shareholders equity	-10.5	0.1	-0.4	2.5
Total liabilities and shareholders equity	59.0	70.1	70.9	73.7

Cash Flow Statement (in C\$M)	2025A	2026E	2027E	2028E
Loss for the year	-11.3	-1.7	-0.8	2.5
Items not affecting cash				
Depletion and depreciation	4.0	4.9	5.0	5.2
Impairment	4.3	0.0	0.0	0.0
Accretion	0.7	0.0	0.0	0.0
Share-based compensation	0.2	0.3	0.3	0.4
Finance expense	3.5	0.0	0.0	0.0
Gain on debt settlements	-0.7	0.0	0.0	0.0
Decommissioning expenditures	-0.5	0.0	0.0	0.0
Change in non-cash working capital	-1.7	-0.6	-1.4	-2.2
Net cash flows provided by operating activities	2.0	2.9	3.1	6.0
Cash flows provided by (used in) financing activities				
Lease payments	-0.3	0.0	0.0	0.0
Proceeds from promissory notes	0.1	0.0	0.0	0.0
Repayment of promissory notes	-1.4	0.0	0.0	0.0
Proceeds from convertible debentures	3.3	0.0	0.0	0.0
Repayment of convertible debentures	-0.1	0.0	0.0	0.0
Proceeds from GORR financing	0.0	0.0	0.0	0.0
Repayment of GORR financing	0.0	0.0	0.0	0.0
Proceeds from term loan, net	7.5	0.0	0.0	0.0
Proceeds from warrant exercises	0.0	0.0	0.0	0.0
Proceeds from stock issuance	0.0	12.0	0.0	0.0
Interest paid	-2.6	0.0	0.0	0.0
Net cash flows provided by financing activities	6.4	12.0	0.0	0.0
Cash flows used in investing activities				
Cash acquired	0.0	0.0	0.0	0.0
Property and equipment expenditures	-8.7	-3.6	-7.2	-7.2
Working interest acquisition	0.0	0.0	0.0	0.0
Change in non-cash working capital	0.0	0.0	0.0	0.0
Net cash flows used in investing activities	-8.7	-3.6	-7.2	-7.2
Change in cash	-0.2	11.3	-4.1	-1.2
Cash, beginning of year	0.4	0.1	11.4	7.3
Cash, end of year	0.1	11.4	7.3	6.1

APPENDIX 2

The biographies of key management individuals (as provided by the company) are outlined below.

Shubham Garg – CEO & Director

Mr. Garg is an oil and gas entrepreneur with approximately 10 years of operating experience spanning engineering, field services, capital markets and strategic investment. He was appointed Chairman of Prospera in October 2024 and assumed the CEO role in April 2025. Since taking leadership, he has focused the company on low capital reactivations, production optimization and balance sheet restructuring. Mr. Garg leads corporate strategy, capital allocation and investor engagement.

Darren Jackson – Chief Operating Officer

Mr. Jackson is a professional engineer with 30 years of experience in oil and gas operations, engineering and production. His career has included leadership roles across Western Canadian E&P operations as well as offshore assets. At Prospera, he is responsible for field operations, production optimization and execution of the company's reactivation and workover programs, including operational initiatives around pumps, sand management and field reliability.

Chris Ludtke – Chief Financial Officer

Mr. Ludtke is a finance executive with 20 years of experience across heavy oil, upstream operations and strategic planning. He previously spent 12 years at Husky Energy, where his work included thermal and CHOPS economics and multi-year capital planning. At Prospera, he oversees finance, capital planning and corporate strategy, with a particular focus on funding the redevelopment of the company's Saskatchewan legacy heavy-oil assets and managing the broader balance sheet transition.

Matthew Kena – Director

Mr. Kenna is a CPA, CMA with more than 30 years of experience in financial management, operational improvement and business growth. He spent 15 years at KUDU Industries, where the company's revenue grew from C\$35 million to C\$150 million during his tenure. His background includes financing, financial operations, turnaround execution and client development, bringing Prospera additional finance and operating oversight at the board level.

Mark Lacey - Director

Mr. Lacey is an entrepreneur and investor with approximately 20 years of experience across public and private markets. He serves as President of a Central Alberta-based family office and is a graduate of the Canadian Securities Institute and Red Deer College's Business Administration program. His experience spans portfolio management, capital markets and strategic investment, providing the board with a capital allocation and financial markets perspective.

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