

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", the "Company", or the "Corporation") for the six months ended June 30, 2024, and should be read in conjunction with the Company's 2023 annual financial statements and related notes for the same twelve months ended, (the "Annual Financial Statements"). The Financial Statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP 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 25, 2024.

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, 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 realised. 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 gas, liquids, and oil
- 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.

Oil and Gas Advisory

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", "Mcf", "Mcf/d", "MMcf", "MMcf/d", "Bcf", "Bbl", and "Bbl/d". All oil and natural gas 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-GAAP Measures

Certain measures used in this document, including "EBITDA", "funds flow from (used by) operations", "operating netback" and "current ratio", collectively the "non-GAAP measures" do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Prospera to provide Shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. However, given their lack of standardized meaning, such measurements are unlikely to be comparable to similar measures presented by other issuers.

"EBITDA" refers to "Funds flow from operations" plus cash interest, and tax expenses.

"Funds flow from (used by) operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the statements of cash flows. Management utilizes funds flow from operations as a key measure to assess the ability of the Corporation to finance operating activities, capital expenditures and credit facility repayments.

"Operating netback" is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating charges, and transportation costs. Management uses this metric to measure the discrete operating results of its oil and gas properties.

"Current ratio" is defined as current assets as defined by IFRS, (excluding hedging gains and/or losses)) divided by current liabilities as defined by IFRS (but excluding any portion of the Credit Facility), to the extent that it is not past due, and unrealized hedging gains and /or losses).

Investors are cautioned that the non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with IFRS, as set forth above, or other measures of financial performance calculated in accordance with IFRS.

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1. Business Overview

Prospera Energy 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".

2. Overview of Q2 2024

For the three-month period ending June 30, 2024 Prospera reported positive net income of \$137,933 compared to a net loss of \$779,438 for the same period in 2023. In addition, Prospera generated positive cash flow from operations of \$557,068 for the six months ended June 30, 2024 (compared to a cash loss of \$6,579,374 for the same period in 2023).

Additional highlights for Q2 2024 are as follows:

- ✓ Despite shut in volume, PEI realized average net sales of 696 boe/d (gross 813 boe/d) in Q2 2024, an increase of 34% from Q2 2023 net sales of 478 boe/d (gross 609 boe/d). The increase was due to additional production online from the 2023 development program.
- ✓ Due to higher production and price levels, PEI realized a 69% increase in sales revenue of \$5,164,586 in Q2 2024 compared to \$3,041,561 in Q2 2023.
- ✓ Consequently, the higher volumes attributed to an 11% reduction to operating expense per barrel of \$32.87/boe in Q2 2024 compared to \$36.89/boe in Q2 2023 (includes both operating costs and transportation expense).
- ✓ Higher volume, revenue, and lower operating costs contributed to an increase in operating netback of \$1,534,079 quarter over quarter (\$2,628,444 in Q2 2024; \$42.87/boe vs. \$1,094,365 in Q2 2023; \$25.10/boe).
- ✓ As of June 30, 2024, Prospera reduced accounts payable arrears by a total of \$2,659,680 from December 31, 2023.
- ✓ The Corporation acquired an additional 7% working interest in its core Saskatchewan properties (Cuthbert, Luseland & Hearts Hill) from a working interest partner in exchange for full settlement of the partner's accounts receivable balance and 100% working interest in its non-core Red Earth property. As a result of this acquisition, Prospera's weighted average corporate working interest increased to 84%.
- ✓ Prospera entered into a loan agreement for \$11million CAD in Q2 2024, which subsequently closed in July 2024. In addition, Prospera closed a \$3.4million GORR financing in the same quarter. Both financings are dedicated specifically for PEI's 2024 development program.

3. Operating Results Summary

The following table summarizes the key commodity price benchmarks for the following periods:

	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Crude Oil				
West Texas Intermediate monthly average (U.S.\$/Bbl)	80.57	73.78	78.77	74.95
Canadian Light Suite monthly average (Cdn\$/Bbl)	105.32	95.33	98.77	97.33
Western Canadian Select monthly average (Cdn\$/Bbl)	91.62	78.84	84.66	74.14
Natural Gas				
NYMEX (Henry Hub close) monthly average (U.S.\$/mmBtu)	1.89	2.10	2.07	2.76
AECO 5A monthly average (Cdn\$/Mcf)	1.23	2.57	1.92	2.97
AECO 7A monthly average (Cdn\$/Mcf)	1.51	2.46	1.83	3.50
Canada – U.S. dollar closing exchange rate (Cdn\$/U.S.\$1)	1.37	1.34	1.36	1.35

4. Funds Flow from Field Operations per Boe

The following table summarizes revenues and costs for the following periods:

	Three Months Ended June 30,	
Dollar per BOE	2024	2023
Sales	81.32	69.87
Transportation costs	(5.41)	(3.73)
Royalties	(6.92)	(7.87)
Operating costs	(27.46)	(33.13)
Operating netback	41.53	25.14
Interest and finance charge	(8.15)	(9.04)
General and administrative expense	(15.06)	(19.51)
Funds flow from operations	18.32	(3.41)

5. Field Operating Income Items

Production Summary of Q2 2024 and 2023.

	Q2 2024	Q2 2023	Increase (Decrease)	
			Value	%
Average sales volumes:				
Oil and condensate (Bbl/d)	659	459	200	44%
Natural gas (Mcf/d)	217	115	102	89%
Total Net (Boe/d)	696	478	212	46%
Liquids Composition (percentage)	95%	96%	-	(1%)
Average realized prices				
Oil (\$/Bbl)	85.50	71.94	13.56	19%
Natural gas (\$/Mcf)	0.87	3.36	(2.49)	(74%)
Average realized price (\$/Boe)	82.67	69.87	12.80	18%
Sales netback				
Oil	5,130,113	3,006,353	2,321,760	71%
Natural gas	17,238	35,208	(17,970)	(51%)
Total petroleum and natural gas sales	5,147,350	3,041,561	2,105,789	69%
Transportation costs	(342,633)	(162,305)	(180,328)	111%
Royalties	(438,144)	(342,507)	(95,637)	28%
Operating costs	(1,738,130)	(1,442,385)	(295,745)	21%
Operating netback	2,628,444	1,094,364	1,534,079	140%

Sales Volume – The Corporation averaged 696 net boe/d throughout Q2 2024, an increase of 46% from Q2 2023 levels, primarily due to the 2023 drilling program.

Petroleum and Natural Gas Sales – Oil and gas revenue totalled \$5,147,350 throughout Q2 2024, an increase of 69% from Q2 2023 levels, primarily due to the 2023 drilling program.

Royalties – Royalties increased by 28% from Q2 2023 levels to \$438,144 throughout Q2 2024 due to increased PEI production.

Operating Costs – Total operating costs in Q2 2024 remained similar to Q2 2023. On a per Boe basis, OPEX/Boe decreased by \$5.67/boe quarter over quarter.

6. Acquisitions and Dispositions

Net working interest	June 30, 2024	June 30, 2023
Red Earth	0%	100%
Hearts Hill	90%	83%
Luseland	90%	83%
Cuthbert	76%	69%
Pouce Coupe	85%	68%
Brooks	50%	50%
Weighted Average Working Interest	84%	78%

On April 25, 2022, the Corporation agreed to purchase an undivided 50% working interest in petroleum lands located near Cassils, Alberta for \$2,483,500 payable by way of the issuance of convertible debt and a promissory note that will be settled in equal amounts of cash and common shares of the Corporation.

On May 24, 2023, the Corporation agreed to purchase an undivided 8.8% working interest in petroleum lands located near Pouce Coupe, Alberta for \$20,000 paid for full in cash.

On May 31, 2023, the Corporation agreed to purchase an undivided 50% working interest in petroleum lands located near Pouce Coupe, Alberta for \$200,000 paid for full in cash.

On May 1, 2024, the Corporation agreed to purchase an undivided 7% working interest from a joint venture partner in the Cuthbert, Luseland, and Hearts Hill properties in exchange for 100% working interest in the Red Earth property and forgiveness in full for the partner's JV receivable.

7. Depletion and Depreciation Expense

Six Months Ended:	June 30, 2024	June 30, 2023
Reported amount	(1,614,525)	(753,897)
Expense per sales volume (\$/Boe)	(13.28)	(10.76)

8. General and Administrative Expenses

Six Months Ended:	June 30, 2024	June 30, 2023
General and administrative	(2,161,521)	(1,587,279)
Less: overhead recoveries and reclassifications to OPEX	(208,685)	179,536
Reported amount	1,952,835	(1,407,744)
Expense per sales volume (\$/Boe)	(16.06)	(20.09)

9. Share Based Compensation

Six Months Ended:	June 30, 2024	June 30, 2023
Reported amount	(40,007)	(28,818)
Expense per sales volume (\$/Boe)	(0.33)	(0.41)

10. Interest, Financing, and Accretion Charges

Six Months Ended:	June 30, 2024	June 30, 2023
Interest and other finance costs, net	(857,397)	(536,936)
Accretion on decommissioning liability	(274,351)	(354,177)
Expense per sales volume (\$/Boe)	(9.31)	(12.72)

Accretion charges decreased in Q2 2024 compared to Q2 2023 as a result of lower inflation rates.

Interest expense increased in Q2 2024 compared to Q2 2023 due to the issuance of promissory notes, GORR interest payments, and the extension of \$1,500,000 convertible debt into March 2025.

11. Liquidity and Capital Resources

The Corporation's working capital deficiency and shareholders' deficiency is below:

	June 30, 2024	December 31, 2023
Current liabilities net of current assets	14,161,582	17,476,760
Deficit	36,095,616	35,523,987
	50,257,198	53,000,747

These financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The restructured PEI continues to meet its day-to-day working capital requirements through cash flow from operations, warrant exercises and debt financing.

12. Private Placements & Warrant Exercise

The summary and terms of the unit private placement completed in 2023 are as follows:

Private Placement	Investment Amount
Unit investment	\$ 1,314,000
Total	\$ 1,314,000

Issuer:	Prospera Energy Inc. (“Prospera” or the “Company”).
Issue:	Non-brokered offering (the “Offering”) of units (“Units”). Each Unit will consist of (i) one common share of the Company; and (ii) 0.875 common share purchase warrant (the “Warrant”). Each Warrant shall entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.09 for a period of two years from the date of issuance thereof. The Warrants shall be transferable and shall not be listed on any stock exchange.
Issue Price:	\$0.075 per Unit.
Offering Amount:	Up to \$2,000,000.
Underlying Shares:	Common shares of the Company listed on the TSX Venture Exchange under the symbol PEI (the “Common Shares”).
Use of Proceeds:	Prospera intends to use the net proceeds of the Offering for general working capital.
Warrants:	Each Warrant entitles the holder to subscribe for one additional common share for a period of 2 years from the date of closing at a price of \$0.09. The Company may accelerate the expiry of the warrants, in the event that the shares trade at \$0.30 for ten consecutive business days following the expiry of the 4 month hold period.
Dividend Adjustment and Anti-Dilution:	The Warrant exercise price will also be subject to standard anti-dilution adjustments upon, inter alia, share consolidations, share splits, spin-off events, rights issues and reorganizations.
Offering Basis:	Non-brokered private placement offering.
Finders Fees	The Company may pay qualified finders a fee of 3% cash and 3% warrants.

Acquisition Related:

On January 27, 2022 (effective October 1, 2021), the Corporation completed an acquisition of an additional 18% net working interest from a joint venture partner in the southwest Saskatchewan Hearts Hills, Luseland and Cuthbert properties. The purchase price was satisfied for a total of \$1,488,392, including \$510,000 of Prospera convertible debt.

On April 25, 2022, the Corporation agreed to acquire an undivided 50% working interest in petroleum lands located near Cassils, Alberta for \$2,483,500, including \$302,000 of Prospera convertible debt.

Investment Related:

On May 19, 2022, the Corporation announced a private placement of equity of \$740,000 and convertible debt of \$738,574 for a total of \$1,478,574.

On February 14, 2023, the Corporation completed a non-brokered private placement of 17,520,000 units at a subscription price of \$0.075 per unit for gross proceeds of \$1,314,000. Each unit of the offering consists of one common share and a partial warrant (0.875:1 warrant to unit ratio). Each whole warrant entitles the holder to subscribe for one additional share in the capital of the Corporation at a price of \$0.09 per warrant for 2 years from closing.

13. Promissory Notes

In 2023, Prospera Energy closed two non-brokered private placements for total proceeds of \$3,598,000, with the summary and terms of the financings as follows:

Private Placement	Investment Amount
Debt Investment with Equity Bonus – 8%	\$ 3,015,000
Debt Investment with Equity Bonus – 14%	583,000
Total	\$ 3,598,000

In June 2024, PEI received interest from multiple promissory note holders to participate in its GORR financing using their outstanding promissory note balances and accrued interest. Consequently, promissory notes totaling \$2,503,000, along with the accrued interest, were canceled with the funds subsequently allocated to PEI's GORR financing initiative.

Debt Investment with Equity Bonus – 8% Offering

Issuer:	Prospera Energy Inc. (“ Prospera ” or the “ Company ”).
Issue:	Non-brokered private placement of \$3,015,000, by the issue of 3,015 units (the “Units”) at \$1,000 per Unit. Each Unit consists of 1,000 Common Shares and one 8% 2-year non-convertible promissory note in the principal amount of \$1,000. Holders will be paid interest of 8% per annum, with interest payments to be made quarterly for a term of 2 years.
Offering Amount:	Up to \$5,000,000.
Underlying Shares:	Common shares of the Company listed on the TSX Venture Exchange under the symbol PEI (the “ Common Shares ”).
Use of Proceeds:	Prospera intends to use the net proceeds of the Offering for infrastructure upgrades to accommodate further production growth, well development capital, well abandonment costs, ongoing ESG initiatives and general working capital.
Offering Basis:	Private placement debt offering with equity bonus.

Since the completion of the offering, Prospera received appeal from all investors to let interest accumulate over the two years until date of maturity. The interest will be compounded quarterly and be paid in full at maturity, with the principal balance.

Debt Investment with Equity Bonus – 14% Offering

Issuer:	Prospera Energy Inc. (“ Prospera ” or the “ Company ”).
Issue:	Non-brokered private placement of \$583,000, by the issue of 583 units (the “Units”) at \$1,000 per Unit. Each Unit consists of 1,000 Common Shares and one 14% 2-year non-convertible promissory note in the principal amount of \$1,000. Holders will be paid interest of 14% per annum, with interest payments to be made quarterly for a term of 2 years.
Offering Amount:	Up to \$3,000,000
Underlying Shares:	Common shares of the Company listed on the TSX Venture Exchange under the symbol PEI (the “ Common Shares ”).
Use of Proceeds:	Prospera intends to use the net proceeds of the Offering for development capital (drilling & Optimization) - including partner portion, well abandonment & reclamation costs, ongoing ESG initiatives and general working capital.
Offering Basis:	Private placement debt offering with equity bonus.

14. GORR Financing

In 2023 and 2024 Prospera Energy closed two Gross Overriding Royalty (“GORR”) Agreements for the sale of 1% royalty on revenue from Cuthbert properties for total proceeds of \$6,363,495, with the summary and terms of the financings as follows:

Private Placement	Investment Amount
2023 GORR Financing	\$ 3,000,000
2024 GORR Financing	\$ 3,363,495
Total	\$ 6,363,495

2023 GORR Financing

PEI signed an arms-length Purchase and Sale, Overriding Royalty Agreement, and Agreement to Purchase Royalty, all dated November 17, 2023, for the sale of 1% royalty on Prospera's revenue from its Cuthbert properties. \$1,000,000 was received at closing, \$1,000,000 within 10 days of closing, and \$1,000,000 within 10 days from the first date of production of wells #8 and #9 in PEI's drilling program. PEI has the right of first refusal to repurchase the royalty back for \$3,480,000 no later than November 30, 2025. If PEI purchases the GORR prior to October 1, 2024, the purchase price shall be \$3,430,000.

If closing occurs after November 30, 2024, and if royalty payments for any quarter do not exceed \$250,000 per quarter prior to the closing date, the purchase price will increase by \$139,200 for each of those quarters where the royalty payments were less than \$250,000 per quarter. The initial royalty rate of 1% up to and including November 30, 2024, increases to 22% after November 30, 2024, if the royalty interest has not been repurchased. Failure to remit royalty payments will result in the Company paying, in addition to those funds, interest at 18% per annum, compounded monthly.

2024 GORR Financing

PEI signed an arms-length Purchase and Sale and Overriding Royalty Agreement, effective June 1st, 2024, for the sale of a 0.7% royalty on Prospera's revenue. Consideration of \$2,751,180 was allocated to the GORR financing through the transfer of outstanding promissory note principal and accrued interest, with the remaining consideration of \$612,315 received in cash. PEI shall repurchase the royalty interest on or before April 15, 2026, for 120% of the purchase price. If PEI elects to repurchase the royalty interest within the first 20 months of the term, the repurchase price shall be 118% of the purchase price.

15. Shares, Options and Rights

The following provides a continuity of outstanding share capital:

Share Capital	Common Shares	Share Capital
Balance at December 31, 2022	240,585,468	\$ 17,189,373
Issuance of shares (debt conversion)	25,373,353	967,119
Issuance of shares (private placement)	21,118,000	1,238,039
Issuance of shares (warrant exercise)	133,589,094	11,269,947
Share issuance costs	525,600	(147,814)
Balance at December 31, 2023	421,191,515	\$ 30,516,664
Issuance of shares (debt settlement)	5,763,252	477,775
Issuance of shares (warrant exercise)	-	6,724
Balance at June 30, 2024	426,954,767	\$ 30,001,163

16. Provision for Decommissioning Liabilities

	YTD 2024	2023
Beginning Balance	\$ 16,810,503	\$ 18,706,118
Business combinations	301,117	42,149
Additions	-	238,291
Revisions	337,828	(2,765,277)
Liabilities settled	-	-
Accretion	274,351	589,222
Closing Balance	\$ 17,723,799	\$ 16,810,503
• Total discounted future cash flows of \$17,723,799 as of June 30, 2024 (Dec 31, 2023 - \$16,810,503) • Annual inflation rate of 3.4% for 2024; 2% thereafter; (2023 – 3.4% for 2024, 2% thereafter) • Settlement of the liability occurring in approximately 1 to 15 years (2023 - 1 to 15 years) • Risk free discount rates ranging from 3.47% to 4.26% (2023 – 3.47% to 4.26%)		

\$2,765,277 of ARO assumptions and adjustments were implemented in 2023 which contributed to the reduced total discounted cash flows. \$238,291 of decommissioning liabilities in 2023 were the result of PEI's 2023 drilling program.

Prospera will continue to reduce its decommissioning liabilities as PEI has continued to execute on its well abandonment and reclamation initiatives to further reduce its environmental footprint and meet its objective of being a low-cost producer through fixed cost reduction.

17. Critical Accounting Estimates

The historical information in this MD&A is based primarily on the Corporation's financial statements, which have been prepared in Canadian Dollars in accordance with IFRS. The application of IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Prospera bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions.

18. New Accounting Pronouncements

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments clarify how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

These amendments require a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows: (i) on initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction; (ii) after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

These amendments are effective for reporting periods beginning on or after January 1, 2024.

Amendment to IAS 1 – Non-current Liabilities with Covenants

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

This amendment is effective for reporting periods beginning on or after January 1, 2024.

19. Business Risks and Uncertainties

The Corporation's activities expose it to a variety of financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical.

a) Going Concern

The financial statements have been prepared on a basis which the restructured Prospera has demonstrated in the past three years of restructuring its ability to realize its assets and discharge its liabilities. Prospera will continue this commitment in a planned manner with consideration to expected possible outcomes. Based on the Q2 2024 and 2023 Year End Financial Statements, the restructured PEI has already reversed the trend of not being able to discharge its liabilities and commitments as they become due. Significant progress and trends have already been shown for restructured Prospera's ability to increase production, reduce operating costs and generate greater cash flow. The Company's 2023 third party reserves assessment demonstrates a 508% increase in before tax PDP reserves from \$4.4m to \$27.1m, an increase of \$60.8m in before tax 2P reserves from \$72.5m to \$133.3m, a 25% increase TPP reserves value (4,306 to 5,403 Mboe), and a 6% increase in reserve life index (28.4 to 30.0 years).

The current world-wide economic environment relating to the oil and gas industry has improved access to capital for many companies, including the Corporation. This has resulted in fund raising opportunities for 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. See note 2 of the Audited Financial Statements for additional disclosure.

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 does not hedge commodity price risk and has no physical forward price or financial derivative sales contracts as at or during the three months ended June 30, 2024. 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 Hills, Luseland, Brooks, Red Earth 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 natural 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.

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. See "Directors and Officers – Conflicts of Interest".

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.

20. Management's Responsibility for Financial Statements

The information provided in this MD&A and the Corporation's 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.

21. Directors, Officers & Other

Directors:

Mel Clifford (Chairman of the Board), Kelowna, BC, Canada
Samuel David (President & CEO), Calgary, AB, Canada
Jasdip Dhaliwal, Calgary, AB, Canada
Brian McConnell, Calgary, AB, Canada
Mark Lacey, Red Deer, AB, Canada
Matthew Kenna, Calgary, AB, Canada

Officers:

Chris Ludtke (Chief Financial Officer), Calgary, AB, Canada
George Magarian (VP of Subsurface), Calgary, AB, Canada
John McMahon (VP of Operations), Calgary, AB, Canada

Other:

Corporate Office: Suite 730, 444 7 Ave SW, Calgary, AB T2P 0X8
Auditors: Crowe MacKay LLP - 717 7 Ave SW, Calgary, AB T2P 0Z3
Legal Counsel: Dentons Canada LLP - Suite 1500-850 2 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. S.W. Calgary, Alberta T2P 1B3