

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 months and year ended December 31, 2025 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-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 **April 30, 2026**.

In this MD&A, the three months and year ended December 31, 2025 may be referred to as "Q4 2025" and "2025 YTD", respectively, and as "the 2025 periods" collectively. The comparative three months and year ended December 31, 2024 may be referred to as "Q4 2024" and "2024 YTD", respectively, and as "the 2024 periods" collectively.

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 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 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 provide investors with information that is also commonly presented by other P&NG producers. "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 to December 31, 2025.

2025 was a transformational year for Prospera. During the year, the Corporation completed operational, organizational and financial groundwork that, taken together, redefines the platform on which 2026 and subsequent years will be delivered. Operationally, the Corporation advanced its Luseland reactivation program — the Corporation's principal organic growth engine — through the reactivation of 17 wells across the Luseland asset. In parallel, the Corporation deployed capital into upgrades to the Cuthbert and Hearts Hill plant, gathering pipelines and water injection infrastructure increasing productive and processing capacity and improving the Corporation's waterflood capability. Strategically, the Corporation closed the acquisition of White Tundra Petroleum on August 29, 2025, broadening the producing base, and on September 15, 2025 closed the final 14% working interest acquisition at Cuthbert, taking the Corporation's working interest in its largest property to 100%. Average net sales rose 19% year-over-year to 745 BOE/d in Q4 2025, full-year sales volumes grew 14.5% to 273,333 BOE, and Q4 2025 operating costs declined 24% on a per-BOE basis compared with Q4 2024. These foundations support the Corporation's plan to convert its multi-year proved plus probable reserve life into sustained production growth and operating cash flow through 2026 and beyond. Additional discussion of the Corporation's capital program, the December 31, 2025 impairment, post-period commodity prices, and the Corporation's liquidity initiatives is set out in the sections that follow.

2. Overview of Q4 2025

Financing and Capital

In Q4 2025, Prospera invested \$2.5 million in capital expenditures, including \$0.6 million for pipeline infrastructure & facility services; \$1.9 million for plant maintenance and workovers. Plant maintenance and pipeline expenditures enhanced infrastructure integrity, production reliability, and oil recovery.

On September 15, 2025, Prospera closed the acquisition of the remaining 14% working interest in the Cuthbert area, bringing the Corporation's working interest in Cuthbert to 100%. The effective date of the acquisition is January 1, 2025. Consideration for the acquisition from an arm's length joint operating partner was comprised of 5,703,814 common shares and 5,334,550 common share purchase warrants of the Corporation and forgiveness of the partner's \$1,027,110 of joint operating receivables. The common share purchase warrants are exercisable at \$0.05 per share until September 15, 2028. These shares and warrants have not yet been issued and are subject to the approval of the TSXV.

Other strategic achievements included:

1. Securing \$1.2 million of additional convertible debenture and \$0.2 million of promissory note proceeds for development and optimization.
2. Repaying \$0.5 million of promissory notes and \$0.1 million of convertible debentures.

Q4 2025 Operational Highlights

- ✓ PEI realized average net sales of 745 boe/d in Q4 2025, a decrease of 8% from Q3 2025 net sales of 808 boe/d, and an increase of 19% from Q4 2024 net sales of 626 boe/d.

- ✓ Sales revenue was \$4,373,743 (\$63.84/boe) in Q4 2025 compared to \$5,277,864 (\$71.00/boe) in Q3 2025, a decrease of 17% due to lower volumes and pricing, and compared to \$4,318,916 (\$75.05/boe) in Q4 2024, an increase of 1%, due to sales volume increases offset by lower prices.
- ✓ In Q4 2025, operating costs increased 2% to \$50.06/boe from \$49.18/boe in Q3 2025 and decreased 24% from \$65.81/boe in Q4 2024 primarily due to lower contract operator fees, field maintenance and road usage fees and the impact of the results of the 14% working interest acquisition.
- ✓ In Q4 2025, PEI's operating netback was \$0.6 million (\$9.19/boe), down from \$0.8 million (\$10.46/boe) in Q3 2025 and up from \$0.2 million (\$2.67/boe) in Q4 2024.

2026 Outlook

Looking forward, management's 2026 priorities follow directly from the foundations established in 2025. The Corporation intends to: (i) extend the Luseland reactivation program — the Corporation's principal organic growth engine — to additional candidates within the Saskatchewan core during 2026, subject to commodity prices, capital availability and regulatory approvals; (ii) realize, on a full-year basis, the productive capacity, processing-capacity and waterflood improvements achieved through the 2025 capital program at the Cuthbert plant, gathering pipelines and water injection infrastructure, which support additional production capability (iii) integrate the White Tundra asset bases into the Corporation's field operations and benefit from a full year of consolidated working interest production; (iv) continue the workforce, operating-cost and overhead reset achieved during 2025; (v) progress the balance sheet initiatives described in Section 6 with the objective of further reducing current financial liabilities and extending maturities; and (vi) realize the benefit of the post year-end commodity price recovery on operating netback and operating cash flow.

The Corporation's December 31, 2025 evaluation of P&NG reserves prepared by Sproule ERCE supports a multi-year proved plus probable reserve life. Estimated future development costs associated with the Corporation's proved plus probable reserves were \$60.9 million at December 31, 2025, compared with \$44.1 million at December 31, 2024, reflecting the expanded reserve base resulting from the White Tundra acquisition and from working interest acquisitions completed during 2024 and 2025. The Corporation's strategic focus is to convert this multi-year reserve base into production growth and operating cash flow on a disciplined basis, prioritizing capital allocation toward the Luseland reactivation program and other high-return reactivation and optimization opportunities within the Saskatchewan core.

These statements are forward-looking statements within the meaning of applicable Canadian securities laws and are subject to the assumptions, risks and uncertainties identified in the "Forward Looking Statements" advisory at the beginning of this MD&A and in Section 16 (Business Risks and Uncertainties), and to the going concern material uncertainty set out in Section 16. Actual results may differ materially. The forward-looking statements herein are made as of the date of this MD&A and the Corporation undertakes no obligation to update them except as required by applicable securities laws.

3. Selected Financial Information

(expressed in \$, except shares outstanding)	December 31 2025	December 31 2024	December 31 2023
Current assets	2,870,765	3,196,640	4,433,398
Current liabilities	42,515,514	20,766,507	21,910,157
Working capital	(39,644,748)	(17,569,867)	(17,476,759)
Property and equipment	54,749,740	47,776,659	39,331,690
Total assets	59,004,534	53,932,973	49,168,314
Non-current financial liabilities	5,609,886	17,002,470	9,245,121
Share capital	33,105,787	31,346,508	30,516,664
Total common shares issued and outstanding	462,377,995	426,954,767	421,191,515

(expressed in \$, except number of shares)	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
P&NG sales revenue	4,373,743	5,277,864	4,318,916	19,152,619	18,126,190
Loss for the period	(6,624,689)	(1,972,052)	(2,421,477)	(11,324,310)	(4,285,669)
Loss per share	(0.01)	(0.00)	(0.01)	(0.03)	(0.01)
Funds flow provided by (used in) operations	(118,067)	33,785	(677,957)	789,971	2,623,166

Net cash flows provided by (used in) operating activities	1,538,071	1,274,479	(353,800)	1,990,945	(3,156,675)
Net cash per share – operating activities	0.00	0.00	0.00	0.00	(0.01)
Weighted average number of shares – basic	461,625,495	445,882,461	425,850,720	443,062,904	425,468,005

4. Operating Results Summary

Operating Netback

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
P&NG sales revenue (\$)	4,373,743	5,277,864	4,318,916	19,152,619	18,126,190
Royalties (\$)	(314,467)	(844,808)	(377,836)	(2,265,009)	(1,483,792)
Operating costs (\$)	(3,429,522)	(3,656,216)	(3,787,179)	(13,239,827)	(10,629,118)
Operating netback (\$)	629,754	776,840	153,901	3,647,783	6,013,280

Per BOE, except total BOE sales volumes	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Total BOE sales volumes	68,507	74,337	57,548	273,333	238,665
P&NG sales revenue (\$)	63.84	71.00	75.05	70.07	75.95
Royalties (\$)	(4.59)	(11.36)	(6.57)	(7.90)	(6.22)
Operating costs (\$)	(50.06)	(49.18)	(65.81)	(48.44)	(44.54)
Operating netback per BOE (\$)	9.19	10.46	2.67	13.35	25.19

Variances in the operating netback are explained by changes in sales volumes and revenues, royalties and operating costs as detailed below.

The Q4 2025 operating netback is 12% lower than Q3 2025, primarily due to lower volumes and pricing, and 244% higher than Q4 2024 primarily due to higher volumes and lower operating costs.

Sales Volumes and Revenues

Sales Volumes	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Oil and condensate (bbls)	68,136	73,109	57,257	269,459	229,092
Natural gas (mcf)	2,226	7,373	1,746	23,249	57,438
Total BOE	68,507	74,337	57,548	273,333	238,665
Liquids composition	99%	98%	99%	99%	96%
Oil and condensate bbls per day	741	795	622	738	626
Natural gas mcf per day	24	80	19	64	157
Total BOE per day	745	808	626	748	652

Q4 2025 sales volumes of 745 boe/d declined from 808 boe/d in Q3 2025, primarily reflecting the abandonment of certain wells at Brooks and Wildunn. Q4 2025 sales volumes increased over Q4 2024 (626 boe/d) due to the effect of the 14% working interest acquisition and the Tundra acquisition, both of which closed in Q3 2025. Volumes produced in 2025 also increased due to the Corporation's well reactivation program and improved reliability achieved from infrastructure and maintenance spending.

Sales Revenue	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Oil and condensate (\$)	4,367,548	5,269,987	4,319,222	19,117,557	18,046,833
Natural gas (\$)	6,195	7,877	(306)	35,062	79,357
Total P&NG sales revenue	4,373,743	5,277,864	4,318,916	19,152,619	18,126,190
Oil and condensate per bbls (\$)	64.10	72.08	75.44	70.95	78.78
Natural gas per mcf (\$)	2.78	1.07	(0.18)	1.51	1.38
Total sales revenue per BOE (\$)	63.84	71.00	75.05	70.07	75.95

Q4 2025 oil and condensate sales revenue decreased 17% from Q3 2025, due to a 7% decrease in volumes combined with a 11% decrease in prices. YTD 2025 oil and condensate revenue was 6% higher than YTD 2024, with volumes up 18% and prices down 10%.

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

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Crude Oil					
West Texas Intermediate (US\$/Bbl)	59.1	65.59	70.26	64.8	75.72
Canada Light Sweet - light oil (Cdn\$/Bbl)	76.8	61.61	93.03	85.7	98.10
Western Canada Select – heavy oil (Cdn\$/Bbl)	65.7	53.53	81.36	74.8	84.65
Natural Gas					
NYMEX - Henry Hub (US\$/mmBtu)	3.75	3.06	2.44	3.53	2.19
AECO 5A C (Cdn\$/Mcf)	2.1	0.78	1.33	1.6	1.28
AECO 7A C (Cdn\$/Mcf)	2.2	1.33	1.31	1.8	1.17
US to Canadian dollar average exchange rate	1.39	1.38	1.40	1.39	1.37

Royalties

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Royalties (\$)	314,467	844,808	377,836	2,265,009	1,483,792
Royalties per BOE (\$)	4.59	11.36	6.57	7.90	6.22
Royalties as a percentage of sales revenue	7%	16%	9%	12%	8%

Royalties as a percentage of sales revenue were lower in Q4 2025 compared to Q3 2025. The decrease was primarily attributable to reduced production volumes from wells at Cuthbert that qualify for royalty-holiday treatment, which lowered the effective royalty rate applied to overall sales during the quarter. Royalties as a percentage of sales revenue were higher in Q4 2025 and YTD 2025 than Q4 2024 and YTD 2024 primarily due to the expiry of royalty holidays for multiple horizontal wells drilled during the 2023 drilling program.

Royalties as a percentage of sales revenue decreased to 7% in Q4 2025 from 16% in Q3 2025. The decrease was primarily attributable to a higher proportion of production during the quarter being sourced from wells at Cuthbert that continue to qualify for royalty-holiday treatment, which reduced the effective Crown royalty rate applied to total sales for the period.

Royalties as a percentage of sales revenue increased to 7% in Q4 2025 (Q4 2024 – 9%) and to 12% on a year-to-date basis (YTD 2024 – 8%). The year-over-year increase reflects the expiry of royalty holidays on multiple horizontal wells drilled under the Corporation's 2023 drilling program, which transitioned from incentive-rate to post-incentive royalty treatment during 2025.

In December 2025, the Corporation reclassified \$105,342 of payments made to third-party gross overriding royalty ("GORR") holders from royalty expense to finance expense. The reclassification reflects management's determination that, in substance, payments to the GORR counterparties represent the financing component of the underlying GORR financing arrangement rather than an operating royalty obligation, and is consistent with the bifurcation of the GORR arrangement on initial recognition between a deferred liability and a financing component (Note 13). The reclassification has no impact on net loss for the period or on cash flows from operations on a comparative basis.

Operating Costs

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Production and processing (\$)	2,320,033	3,229,688	3,475,336	11,167,900	9,085,807
Pipeline spills (\$)				500,000	
Well servicing and wo expenses (\$)	782,880			359,807	569,684
Transportation (\$)	326,609	426,528	311,843	1,212,120	973,627
Operating costs (\$)	3,429,522	3,656,216	3,787,179	13,239,827	10,629,118
Production and processing per BOE (\$)	33.87	43.44	60.39	40.86	38.07
Pipeline spills per BOE(\$)				1.83	
Well servicing and wo expenses per BOE(\$)	11.43			1.32	2.39
Transportation per BOE (\$)	4.77	5.74	5.42	4.43	4.08
Operating costs per BOE (\$)	50.06	49.18	65.81	48.44	44.54

Q4 2025 operating costs were lower than costs for Q3 2025 and Q4 2024, primarily due to lower field labour and reduced emulsion, water trucking, and water disposal charges following well abandonments at Brooks and Wildunn. On a per-boe basis, costs were 2% higher in Q4 2025 than Q3 2025 due to the effect of lower production volumes in Q4 2025. Operating costs per boe were higher in Q4 2024 due to effect of lower production levels combined with increased repair and maintenance costs and the realization of non-capitalized workover expenditures

YTD 2025 operating costs are higher than YTD 2024, reflecting an increase in the Corporation's average working interest (ranging from 78% – 92% during 2024 and 92% – 97% during 2025) as well as higher contract operator fees, field maintenance and road usage fees in 2025.

General and Administrative (“G&A”) Expenses

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Gross G&A expenses (\$)	747,821	766,555	923,999	2,984,812	3,768,499
G&A recoveries (\$)	–	(23,500)	(84,957)	(127,000)	(378,385)
Net G&A expenses (\$)	747,821	743,055	839,042	2,857,812	3,390,114
Net G&A expenses per BOE (\$)	10.92	10.00	14.58	10.46	14.20

Net G&A expenses in Q4 2025 were higher than in Q3 2025 due to a lack of overhead recoveries as capital expenditure activities in Q4 2025 focused on 100% working interest areas. Net G&A expenses in the 2025 periods are lower than the 2024 periods, due to workforce optimization, which lowered staffing, office, software, parking, and other costs combined with higher sales volumes. G&A recoveries are decreasing as the Corporation increases its working interest.

Depletion and Depreciation

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Depletion (\$)	947,131	1,012,759	1,095,783	3,827,451	3,349,713
Depreciation (\$)	62,953	51,181	39,533	215,553	158,133
	1,010,084	1,063,940	1,135,316	4,043,004	3,507,846
Depletion rate per BOE (\$)	13.83	13.62	19.04	14.00	14.04

Depletion rates reflect the all-in combined charge of drilling operations, working interest acquisitions and investments in facilities and gathering systems. Depreciation is provided on a straight-line basis over the term of the lease for right-of-use assets.

As at December 31, 2025, estimated future development costs associated with the Corporation's P&NG proved and probable reserves is \$60.9 million (December 31, 2024 – \$44.1 million). The depletion rates per BOE in Q4 2025 and YTD 2025 are comparable to the rate for Q3 2025 and YTD 2024. The depletion rate is higher in Q4 2024 due to an increase in future development capital in the December 31, 2024 reserve report which was not fully offset by a corresponding increase in proved and probable reserves.

Impairment

Impairment - 2025

As at December 31, 2025, the Corporation identified changes in the Corporation's proved plus probable reserves and declines in forecast price estimates as indicators of impairment in relation to its CGUs and performed impairment tests with the following results:

- the estimated recoverable amount of the Red Earth CGU based on its FVLCD was determined to be less than the carrying value resulting in an impairment charge of \$1,864,700;
- the estimated recoverable amount of the Pouce Coupe CGU based on its FVLCD was determined to be less than the carrying value resulting in an impairment charge of \$84,600;
- the estimated recoverable amount of the Brooks CGU based on its FVLCD was determined to be less than the carrying value resulting in an impairment charge of \$2,375,200;
- the Loyalist CGU was fully impaired at the acquisition date and the FVLCD remained below the carrying value and as a result, \$53,528 of decommissioning revisions were recognized in the consolidated statement of loss and comprehensive loss.

During 2025, the Corporation recognized net impairment of \$4,270,972 comprised of the aggregate \$4,324,500 above CGU impairment net of \$53,528 of decommissioning revisions.

The improvement in the Corporation's operating results during 2025 reflects operational execution during the year, while the

impairment charge recognized at December 31, 2025 reflects the forward-looking recoverable amount of the Corporation's cash-generating units ("CGUs") under IAS 36, which is sensitive to changes in commodity price forecasts, cost assumptions, reserves, and discount rates. These two measures are distinct: operating results measure realized performance in the period, whereas impairment testing measures the present value of forecast future cash flows.

The Corporation's overall operating netback improved year-over-year primarily due to production growth and operating cost reductions at the Cuthbert CGU, which more than offset declines in the Brooks CGU. However, the impairment charge recognized at December 31, 2025 reflects the write-down of the Brooks, Red earth, Pouce Coupe, and Loyalist CGUs to their recoverable amounts, driven by the abandonment of uneconomic wells and the resulting reduction in forecast future cash flows. The Cuthbert, Luseland, and Hearts Hill CGUs continued to support their respective carrying values and did not require impairment.

Indicators of impairment were not identified in respect of the Saskatchewan CGU at December 31, 2025. In management's view, the value of the Saskatchewan CGU's proved plus probable reserves, as evaluated by Sproule ERCE in the Corporation's December 31, 2025 reserve report and applying the December 31, 2025 forecast price deck, exceeds the carrying value of the Saskatchewan CGU by a substantial margin. This headroom reflects the quality of the Saskatchewan reserve base, the production additions and growth potential associated with the Luseland reactivation program, the impact of the working interest consolidation at Cuthbert during 2024 and 2025, the capital deployed during 2025 to upgrade the Cuthbert plant, pipeline and water injection infrastructure, and the operating cost reductions delivered during 2025. Management's assessment is that the Saskatchewan CGU's recoverable amount provides meaningful resilience to changes in forecast benchmark prices, reserve estimates, costs and discount rates, and that the CGU was not at risk of impairment at December 31, 2025.

As disclosed in the Corporation's sensitivity analysis (Note 8 to the consolidated financial statements), a 5% increase in forecast prices would have reduced the 2025 net impairment charge by approximately \$208,600. Consistent with IAS 36, the Corporation will reassess its CGUs at each future reporting date for indicators of impairment or impairment reversal, and a future increase in forecast benchmark prices, an upward revision to reserves, or a reduction in the discount rate could result in the partial or full reversal of impairment charges previously recognized in respect of the Red Earth, Pouce Coupe and Brooks CGUs, subject to the IAS 36 carrying-amount ceiling.

Post-Period Commodity Price Environment

The forecast price deck applied at December 31, 2025 reflected benchmark commodity prices prevailing during the fourth quarter of 2025, including average quarterly West Texas Intermediate of approximately US\$59/bbl and average Western Canadian Select of approximately C\$66/bbl — the lowest quarterly average levels observed during the year.

Subsequent to year-end, benchmark crude oil prices have improved materially. As at the date of this MD&A, WTI is trading in the range of approximately US\$90+/bbl, representing an increase of approximately 50+% from the Q4 2025 quarterly average, and Western Canadian Select differentials to WTI have narrowed relative to the levels assumed in the December 31, 2025 forecast price deck. These post-period developments did not exist at December 31, 2025 and accordingly were not, and could not have been, reflected in the December 31, 2025 recoverable-amount calculations under IAS 36; however, they are directly relevant to the Corporation's realized cash flows in early 2026 and to the assumptions that will inform future impairment assessments at subsequent reporting dates.

The Corporation cautions that commodity prices are inherently volatile, that the duration of the current price environment cannot be predicted, and that future impairment outcomes will depend on the forecast price decks, reserve estimates, costs and discount rates applicable at each future test date. A material decline in benchmark prices, a widening of the WCS–WTI differential, an unfavourable revision to reserves, or an increase in the discount rate could each give rise to additional impairment charges in future periods. Conversely, a sustained price environment consistent with current spot levels would, if reflected in a future Sproule ERCE forecast price deck, have the effect of increasing recoverable amounts and may give rise to indicators of impairment reversal at future test dates, subject to the IAS 36 ceiling.

Impairment – 2024

The Corporation did not identify indicators of impairment in relation to its CGUs and therefore no impairment tests were performed.

Accretion

During Q4 2025 and YTD 2025, the Corporation recognized \$213,147 and \$742,665 (Q4 2024 and YTD 2024 – \$146,276 and \$527,867), respectively, of accretion expense in respect of the Corporation's decommissioning liabilities. As at December 31, 2025, the undiscounted decommissioning liabilities associated with the Corporation's existing properties were estimated to be \$36.7 million for which \$23.1 million has been recorded using a discount rate of 2.96%-3.85%, an annual inflation rate of 2% and an estimated timing of cash flows of 1 to 46 years.

Share-based Compensation

On March 25, 2025, the Corporation granted a total of 2,000,000 stock options to officers of the Corporation at an exercise price of \$0.05 per share. These stock options vested in full on July 25, 2025, and expire on March 25, 2028. The aggregate grant date fair value of the stock options granted in 2025 was determined to be \$35,699 using the Black-Scholes model.

During Q4 2025 and YTD 2025, the Corporation recognized \$113,213 and \$206,743 (Q4 2024 and YTD 2024 – \$54,315 and \$163,678), respectively, of share-based compensation expense in respect of stock options.

Finance Expense, Net

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Finance fees on trade receivables (\$)	101,518	122,708	125,657	450,902	598,682
Imputed interest on lease liability (\$)	7,775	9,455	13,315	40,183	60,393
Promissory note interest and accretion (\$)	39,355	106,308	53,989	237,069	526,159
Convertible debenture interest and accretion (\$)	103,334	26,525	(249,433)	140,760	37,062
GORR financing accretion (\$)	179,692	78,412	86,363	373,834	593,450
Term loan interest and accretion (\$)	641,033	589,893	438,397	2,093,072	767,101
Vendor interest charges (\$)	194,037	132,192	–	215,685	–
Accretion (\$)	217,935			217,935	
Other interest and bank charges (\$)	907	26,741	17,884	3,629	252,484
Interest and other income (\$)	(222,101)	(155,608)	(11,370)	(264,098)	(40,422)
	1,263,485	936,626	474,802	3,508,971	2,794,909

Finance expenses in Q4 2025 increased by 35% relative to Q3 2025. The increase was primarily attributable to higher interest accruals on convertible debentures issued during the quarter and on the increased principal balance of the term loan; and the reclassification in December 2025 of \$105,342 of the 3rd parties GORR royalties to finance expense. Finance costs in the 2025 periods are higher than the 2024 periods primarily due to an increase in the term loan which raised overall finance costs.

Gain on Debt Settlements, Net

	Q4 2025	Q3 2025	Q4 2024	YTD 2025	YTD 2024
Settlement of promissory notes (\$)	(318,549)	5,263	–	(318,549)	–
Settlement of convertible debentures (\$)	–	(91,971)	–	(103,733)	–
Amendment to GORR financing (\$)	(41,558)	–	–	(41,558)	–
Settlement of trade payables (\$)	(4,172)	(20,000)	(74,373)	(101,234)	(85,465)
Forgiveness of trade payables (\$)	–	–	–	(93,000)	–
	(364,279)	(240,644)	(74,373)	(658,074)	(85,465)

Gains recognized on the settlement of promissory notes and convertible debentures and amendment to GORR financing: See Section 6. Liquidity and Capital Resources.

Settlement of trade payables:

- On February 13, 2025, the Corporation settled \$75,000 of trade payables through the issuance of 1,250,000 common shares. The shares were measured at their fair value of \$50,000, based on the market price of the Corporation's common shares of \$0.04 per share on the date of issuance. The contractual deemed price of \$0.06 per share was

used to determine the number of shares issued in accordance with TSX Venture Exchange policies but was not used to measure the equity instruments for accounting purposes. The Corporation recognized a \$25,000 gain on debt settlement (Note 24) in the consolidated statement of loss and comprehensive loss.

- During 2025, the Corporation settled \$702,910 of trade payables with various vendors through the issuance of 13,232,243 common shares at weighted average deemed price of \$0.053 per share for which the weighted average market price on the agreement dates was \$0.048 per share. The settlement resulted in the recognition of a \$205,802 gain on debt settlement in the 2025 condensed statement of loss and comprehensive loss. These shares have not yet been issued and are subject to the approval of the TSXV.

5. Capital Spending and Acquisitions

	YTD 2025	YTD 2024
Cash additions to P&NG assets (\$)	8,683,722	5,864,380
Acquisition of Tundra (\$)	6,360,309	—
Working interest acquisitions (\$)	2,015,806	7,172,665
Decommissioning additions and revisions (\$)	(1,772,780)	(1,084,230)
	15,287,057	11,952,815

During 2025, Prospera invested \$8.7 million in capital expenditures, including \$3.6 million for wells reactivations, \$4.5 million for plant maintenance and workovers, and \$0.6 million for pipeline & facility services. Reactivation efforts targeted 17 wells in the Saskatchewan core properties, adding 98.5boe/d of production at a capital efficiency of \$9,385/boe. Plant maintenance enhanced infrastructure integrity, production reliability, and oil recovery.

Beyond the reactivation program, a significant portion of the Corporation's 2025 capital was deployed to upgrade the Cuthbert plant, gathering pipelines and water injection infrastructure. The plant maintenance and pipeline and facility services capital described above (totalling approximately \$5.1 million) was directed substantially at the Saskatchewan core. These investments enhanced infrastructure integrity and production reliability, increased the productive and processing capacity of the Cuthbert plant, and improved the Corporation's waterflood capability through upgrades to the water injection system serving the Cuthbert reservoir. Improved waterflood performance, achieved through enhanced injection-water quality, distribution and pressure maintenance, is expected to support reservoir pressure and improve sweep efficiency across the Cuthbert pool, with the objective of increasing recovery factors over the life of the asset. Together with the workover and reactivation activity and the working interest consolidation completed during 2024 and 2025, these infrastructure investments form the foundation of the Corporation's plan to convert its proved plus probable reserves at Cuthbert, Hearts Hill and Luseland into sustained production and operating cash flow.

The Corporation's working interest for each area is summarized below. For each working interest acquisition, substantially all of the fair value of the acquired working interest is concentrated in a group of similar identifiable assets, and therefore the transaction has been accounted for as an asset acquisition whereby the net assets acquired are initially measured at cost, being the fair value of consideration.

Net working interest ownership by area

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

	December 31 2025	December 31 2024
Red Earth	100%	100%
Hearts Hill	100%	100%
Luseland	100%	100%
Cuthbert	100%	86%
Pouce Coupe	85%	68%
Brooks	100%	100%
Wildunn	92%	—
Loyalist	98%	—
Average working interest	97%	92%

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.

Balance Sheet Initiatives in 2025 and Subsequent to Year-End

During 2025 and continuing into the first quarter of 2026, the Corporation executed a series of transactions intended to extend its maturity profile and reduce the proportion of non-current financial liabilities relative to its overall capital structure. The principal initiatives are described in detail in this Section 6 and in Section 9 (Subsequent Events) and include: the repayment, settlement or restructuring of multiple promissory notes; the issuance of new convertible debentures with three-year maturities; an amendment to the 2024 GORR financing extending the repurchase date to September 30, 2028; the obtaining of \$7,500,000 of additional advances under the term loan; and the settlement of approximately \$0.8 million of trade payables through the issuance of equity in 2025.

Subsequent to year-end, the Corporation completed a non-brokered equity offering for total proceeds of \$3,000,000 (March 13, 2026), settled an additional \$1,611,394 of trade payables through the issuance of common shares (March 2026), and repaid a \$200,000 promissory note. As reported in Section 3 (Selected Financial Information), non-current financial liabilities at December 31, 2025 were \$5,609,886, compared with \$17,002,470 at December 31, 2024, reflecting the 2025 restructuring activity.

The Corporation's current financial liabilities remain elevated and the Corporation continues to face a material working capital deficiency of \$39,644,748 at December 31, 2025; accordingly, the Corporation continues to disclose a material uncertainty in respect of going concern as set out in Section 16. Management's focus during 2026 is on continuing to extend remaining maturities (including its existing senior debt), converting current vendor balances to longer-term repayment arrangements or to equity, and growing operating cash flow with a view to supporting debt reduction. There can be no assurance that these initiatives will be completed on acceptable terms, within the required timeframes or at all, and the matters described in Section 16 (Going Concern) continue to apply.

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 December 31, 2025, the Corporation has a working capital deficiency of \$39,644,748 (December 31, 2024 – \$17,569,867), and an accumulated deficit of \$51,133,966 (December 31, 2024 – \$39,809,656).

During 2025, the Corporation generated \$3,647,783 of operating netback as compared to \$6,013,280 generated during 2024. The decrease in 2025 was primarily due to lower commodity prices combined with an increase in royalties and operating costs as noted Section 4. Operating Results Summary.

There is a material risk that the Corporation will be unable to meet its payable obligations as they become due. Management continually monitors and updates the Corporation's financing requirements and is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements in order to reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures and satisfy obligations as they become due. Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations, the availability of additional financing and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

The following financing activities occurred during the year ended December 31, 2025:

- On March 6, 2025, the Corporation reached a settlement agreement with the holders of \$1,500,000 principal amount of convertible debentures set to mature on March 26, 2025. Pursuant to the settlement agreement:
 - the \$1,500,000 principal amount of convertible debentures were refinanced through the issuance of a \$1,500,000 12-month promissory note;

- \$200,000 of the total \$559,375 accrued interest payable on the convertible debentures was settled through the issuance of a 12-month convertible note bearing 12% interest, convertible into common shares of the Corporation at \$0.05 per share. The Corporation retains the right to settle the convertible note in cash by providing thirty days' notice, during which time the holder retains the right to convert; and
 - the remaining \$359,375 of accrued interest payable was settled on August 10, 2025 through the issuance of 8,984,371 common shares of the Corporation valued at \$269,531 based on the \$0.03 market price of the Corporation's shares on the date of the settlement agreement, resulting in the recognition of a \$89,844 gain on debt settlements.
- In May 2025, the Corporation issued a \$100,000 principal amount of convertible debenture bearing interest at 12%, calculated quarterly and payable at the earlier of the May 16, 2027 maturity date or the conversion date. Interest may be paid in cash or shares at the market price at the date of issue, at the Corporation's discretion. The debenture is convertible into units at \$0.05 per share if converted in the first year or at \$0.10 per share if converted in the second year. The Corporation reserves the right to force the conversion in the event that the Corporation's shares trade at a price of \$0.125 for a period of ten or more days. Upon conversion, each unit will consist of one common share and one common share purchase warrant exercisable at \$0.075 per share for a period of two years from the closing date.
 - On December 12, 2025, the Corporation issued \$3,627,580 principal amount of convertible debentures of which \$217,580 was for the settlement of three promissory notes, \$200,000 was for the settlement of a previously issued convertible debenture and \$3,150,000 was for cash proceeds. The convertible debentures bear interest at 12%, calculated quarterly and payable at the earlier of the December 12, 2028 maturity date or the conversion date. Interest may be paid in cash or shares at the market price at the date of issue, at the Corporation's discretion. The debentures are convertible into units at \$0.05 per share if converted in the first year or at \$0.10 per share if converted in the second or third year. The Corporation reserves the right to force the conversion in the event that the Corporation's shares trade at a price of \$0.125 for a period of ten or more days. Upon conversion, each unit will consist of one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from closing date of the debenture financing.
 - On September 12, 2025, the Corporation repaid \$100,000 principal amount of 2-year Debentures plus \$3,913 of accrued interest.
 - On September 4, 2025, the Corporation received \$112,500 of cash proceeds on the issuance of a \$112,500 promissory note to a director of the Corporation. The promissory note bears 0% interest and matures on November 16, 2025.
 - On September 14, 2025, the Corporation repaid a \$500,000 promissory note in cash and on September 19, 2025, the Corporation settled a \$100,000 promissory note through the issuance of a \$100,000 convertible debenture. In connection with the promissory note settlements, the Corporation repaid \$62,011 of accrued interest and recognized a \$4,169 loss on settlement.
 - On September 12, 2025, the Corporation repaid the \$100,000 principal amount of convertible debenture plus \$3,913 of accrued interest. The Corporation recognized \$13,889 net gain on debt settlement (Note 24).
 - On September 30, 2025, the Corporation amended the terms of \$300,000 principal amount of the 2024 GORR, representing a 0.06% GORR, as follows:
 - extend the royalty repurchase date from April 15, 2026 to on or before September 30, 2028;
 - increase the GORR rate to 0.132% on petroleum and natural gas sales, capped at 1,363 barrels per day calculated on a monthly average;
 - revise the repurchase terms from 120% of the original purchase price to the greater of \$300,000 or 7-times the average GORR payment annualized for the previous 6 months; and
 - include an option to convert all or a portion of the \$300,000 principal amount into units at \$0.07 per share if converted in the first year or at \$0.10 per share if converted in the second or third year. The Corporation reserves the right to force the conversion in the event that the Corporation's shares trade at a price of \$0.125 for a period of ten or more days. Upon conversion, each unit will consist of one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of conversion.

- On October 17, 2025, a \$1,000,000 principal amount of 8% promissory note plus \$260,635 of accrued interest was extinguished through a \$937,917 cash payment resulting in the recognition of a \$322,718 gain on settlement.
- On October 22, 2025, a \$15,000 principal amount of 8% promissory note plus \$2,580 of accrued interest was extinguished through the issuance of a 3-year Debenture in the principal amount of \$17,580.
- The Corporation acquired \$1,395,000 of term loans as part of the acquisition of Tundra (Note 6). The term loans bears interest at 14% per annum, payable quarterly. The principal amount of the term loans plus any accrued and unpaid interest is repayable on the maturity date of January 16, 2027. As at December 31, 2025, \$1,350,000 was drawn on the term loans and \$45,000 was settled through the issuance and exercise of 875,000 warrants (Note 17).
- The Corporation obtained \$7,500,000 of additional advances under the term loan agreement.

At December 31, 2025, maturities of the Corporation's financial liabilities are as follows:

	Carrying amount	Contractual cash flows	Timing of cash flows		
			Within 1 year	Within 2 years	Within 3 years
Trade and other payables (\$)	18,091,732	18,307,417	17,054,628	1,243,772	–
Lease liability (\$)	320,187	342,473	293,097	49,376	–
Promissory note (\$)	1,892,500	1,892,500	1,892,500	–	–
Convertible debentures (\$)	2,873,537	4,933,509	–	–	4,933,509
GORR financing (\$)	3,244,683	3,462,697	3,160,212	–	302,485
Term loans (\$)	21,035,684	21,050,000	19,700,000	1,350,000	–
	47,458,323	49,988,596	42,100,437	2,643,148	5,235,994

7. Related Party Transactions

Except as otherwise described below, transactions with related parties during the year were in the normal course of operations and were measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

- The acquisition of Tundra is a related party transaction as the Corporation's Executive Chairman is also the Interim Chief Executive Officer and a shareholder of Tundra (the "Related Director and Officer")
- As at December 31, 2025, trade and other receivables included \$124,967 due from the Related Officer and Director.
- On September 4, 2025, the Corporation issued a \$112,500 promissory note to a director of the Corporation.
- During Q4 2025 and YTD 2025, the Corporation was charged \$28,560 and \$216,279 (Q4 2024 and YTD 2024 – \$35,302 and \$326,146), respectively, by a company controlled by a director of the Corporation for expenditures capitalized to property and equipment. As at December 31, 2025, trade and other payables included \$15,806 (December 31, 2024 – \$nil) due to this related party.
- During Q4 2025 and YTD 2025, the Corporation recognized \$14,115 and \$28,000 (Q4 2024 and YTD 2024 – \$nil), respectively, of interest and facility fee expense on a \$200,000 12% promissory note due to a company controlled by a director of the Corporation. As at December 31, 2025, trade and other payables included \$28,000 (December 31, 2024 – \$nil) due to this related party.

8. Share Capital

	Common shares	Share purchase warrants	Stock options
Issued and outstanding			
Balance, December 31, 2024	426,954,767	24,001,809	13,414,508
Issued/granted	34,670,728	7,576,923	6,500,000
Exercised	1,627,500	(1,627,500)	–
Expired	–	(7,419,309)	(1,250,000)
Forfeited	–	–	(6,259,800)

Balance, December 31, 2025	463,252,995	23,406,923	12,404,708
Issued	5,703,814	3,334,550	
Issued	4,593,571		
Shares to be issued	8,638,672		
Balance, date of this MD&A	482,189,052	26,741,473	12,404,708

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

- the issuance of 8,638,672 common shares in respect of the settlement of \$431,933 of trade accounts payable; and

9. Subsequent Events

On February 27, 2026, the Corporation issued 5,703,814 common shares and 5,334,550 warrants exercisable at \$0.05 per share until February 27, 2029 as consideration for the September 15, 2025 14% working interest acquisition disclosed in Note 8(b).

In February and March 2026, the Corporation issued 4,593,571 common shares in respect of debt settlements disclosed in Note 16(h).

In February 2026, the Corporation amended the terms of 15,330,000 warrants to extend the maturity date by one year from February 14, 2026 to February 14, 2027 (Note 17). The amended terms are subject to the acceptance of the TSXV.

On March 13, 2026, the Corporation closed a non-brokered offering of 85,714,286 units at \$0.035 per unit. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.05 per share for a period of three years from the date of issuance. The Corporation issued 34,753,954 units for cash proceeds of \$1,216,390 and 27,093,080 units upon the conversion of the convertible debentures Note 12(c).

In March 2026, the Corporation entered into settlement agreements with numerous vendors for the settlement of \$1,611,394 of trade accounts payable through the issuance of 45,011,398 common shares at prices ranging from \$0.035 to \$0.05 per common share. The common shares will be subject to a trading restriction of four months and a day from the date of issuance and are subject to the acceptance of the TSXV.

In March 2026, the Corporation repaid a \$200,000 promissory note (Note 11(c)) and settled \$24,000 of accrued interest through the issuance of common shares.

In April 2026, the Corporation entered into an amending agreement with the lender under its term loan facility extending the maturity date of the term loan, which had a carrying amount of \$21,035,684 at December 31, 2025, by three months from May 31, 2026 to August 31, 2026. The extension was obtained to provide additional time to negotiate and document a revised, longer-term term loan facility with the lender, which the parties are currently advancing. There can be no assurance that a revised facility will be completed on acceptable terms, within the extended maturity period or at all. This subsequent event should be read together with the going concern material uncertainty disclosed in note 2.

10. Contingencies and Commitments

The Corporation is involved in various employment and other related legal matters, with collective claims amounting to \$750,000.

The Corporation is involved in a lawsuit involving breach of a land lease contract, which claims \$500,000 and an undetermined amount of special damages.

A provision has not been recorded in the consolidated statement of financial position as at December 31, 2025 and 2024 as the results of these matters are unknown and expected to be immaterial.

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, current portions of promissory notes, convertible debentures and term loans are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2025 and 2024, 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:

	December 31 2025	December 31 2024
Cash (\$)	116,972	364,083
Trade and other receivables – current (\$)	1,525,300	1,874,548
Trade and other receivables – long-term (\$)	68,356	1,676,252
Deposits (\$)	1,315,673	1,283,422
	3,026,301	5,198,305

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.

	December 31 2025	December 31 2024
0 to 60 days	1,355,583	1,429,983
61 to 90 days	–	444,565
Over 90 days	238,073	1,676,252
Total trade and other receivables	1,593,656	3,550,800

13. Selected Quarterly Information

Unaudited	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Working capital deficiency (\$)	(39,644,748)	(17,760,564)	(14,779,083)	(17,374,081)	(17,569,867)	(8,744,415)	(14,798,176)	(17,792,623)
P&NG sales (\$)	4,373,743	5,277,864	4,902,540	4,598,472	4,318,916	4,727,708	5,147,351	3,932,215
Income (loss) (\$)	(6,624,689)	(1,972,052)	(984,852)	(1,742,717)	(2,421,477)	(1,285,725)	78,692	(657,159)
Income (loss) per share (\$)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	0.00	(0.00)
Capital expenditures (\$)	2,510,722	2,000,767	1,647,513	2,524,720	830,509	2,741,967	398,647	1,893,257
WI acquisitions, net (\$)	–	8,376,115	–	–	3,325,497	3,357,428	489,740	–

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 drilling activity and working interest acquisitions. Capital expenditures have been focused on a multi-well drilling program in the Brooks area and workovers in the Corporation's other areas.

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 year 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 Not Yet Adopted

The Corporation has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following amendments are applicable to the Corporation:

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

Effective January 1, 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 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

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.

- (i) Production and revenue growth — continued development of the Corporation's core Cuthbert 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. 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.

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 hedge commodity price risk and had no physical forward price or financial derivative sales contracts as at or during the years ended December 31, 2025 and 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, 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.

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 months and year ended December 31, 2025. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2025.

18. Directors, Officers & Other

Directors:

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

Brian McConnell, Calgary, AB, Canada

Mark Lacey, Red Deer, AB, Canada

Matthew Kenna, Calgary, AB, Canada

Christopher Moore, Peterborough, ON, Canada

Officers:

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