MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Prospera Energy Inc. ("Prospera", "PEI", or the "Corporation") for the three and nine months ended September 30, 2024, and should be read in conjunction with the Corporation's September 30, 2024 unaudited condensed interim financial statements and December 31, 2023 audited annual financial statements and related notes thereto. The Corporation's financial statements have been prepared in accordance with International Financial Reporting 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 **November 26th, 2024**.

In this MD&A, the three and nine months ended September 30, 2024 may be referred to as "Q3 2024" and "YTD 2024", respectively, and as "the 2024 periods" collectively. The comparative three and nine months ended September 30, 2023 may be referred to as "Q3 2023" and "YTD 2023", respectively, and as "the 2023 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 that refers. Operating net back 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".

PROSPERA
- ENERGY INC. -

Table of Contents

1. Business Overview 2
2. Overview of Q3 2024 2
3. Selected Financial Information 3
4. Operating Results Summary 3-5
5. General and Administrative Expenses 5
6. Depletion and Depreciation Expense 5
7. Accretion Charges 5
8. Share Based Compensation 6
9. Finance Expense 6
10. Acquisitions and Dispositions 6-7
11. Liquidity and Capital Resources 8
12. Convertible debentures 9
13. Promissory Notes 9
14. GORR Financing 9
15. Related Party Transactions 10
16. Subsequent Event 10
17. Share Capital 10
18. Contingencies and Commitments 10
19. Off-Balance Sheet Arrangements 11
20. Financial Instruments 11
21. Selected Quarterly Information 11
22. Critical Accounting Judgments and Estimates 12
23. Changes in Material Accounting Policies 12
24. Business Risks and Uncertainties 12-14
25. Management's Responsibility for Financial Statements 14
26. Directors, Officers & Other 14

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".

2. Overview of Q3 2024

During the third quarter of 2024, Prospera successfully completed the following strategic objectives:

1) Executed a successful multi-well drilling program in PEI's Brooks light/medium oil property, in turn adding significant production and reserve value.

2) Acquired an additional 10% working interest in Prospera's core Saskatchewan properties (Cuthbert, Luseland & Hearts Hill) from a working interest partner in exchange for full settlement of the partner's accounts receivable balance. As a result of this working interest acquisition, Prospera's corporate weighted average working interest increased to an average of 95% in its core Saskatchewan assets.

3) Closed term debt financing of $11 million in July 2024, providing strategic funding for PEI's development and optimization programs.

Operational highlights for the quarter are as follows:

- ✓ PEI realized average net sales of 647 boe/d in Q3 2024, an increase of 25% from Q3 2023 net sales of 519 boe/d. The increase was due to additional production realized from the 2023 and 2024 development programs and the increased working interest in PEI's core Saskatchewan properties.

- ✓ Due to higher production levels, PEI realized a 21% increase in sales revenue to $4,727,708 in Q3 2024 compared to $3,920,428 in Q3 2023, despite a decrease in sales price decrease to $79.39/boe in Q3 2024, compared to $82.15/boe in Q3 2023.

- ✓ Consequently, the higher working interest attributed to an increase in operating costs totalling $2,496,800 in Q3 2024 compared to $1,978,034 in Q3 2023, however, operating costs per boe remained flat at $41.93/boe in Q3 2024 compared to $41.45/boe in Q3 2023.

- ✓ PEI earned an operating netback of $1,740,578 ($29.23/boe) in Q3 2024 compared to $1,517,946 ($31.81/boe) in Q3 2023 and $5,859,379 ($32.35/boe) in YTD 2024 as compared to $2,088,790 ($17.73/boe) in YTD 2023.

- ✓ As of September 30, 2024, Prospera reduced its accounts payable arrears by $4 million to $16.5 million, compared to $20.5 million on December 31, 2023. This has resulted in the improvement of company financial health, including a decrease in working capital deficit to $8.7 million at September 30, 2024, compared to $17.5 million at December 31, 2023.

3. Selected Financial Information

(expressed in $, except shares outstanding)	September 30 2024	December 31 2023
Current assets	9,072,026	4,433,398
Current liabilities	17,816,441	21,910,157
Working capital	(8,744,415)	(17,476,759)
Property and equipment	48,630,094	39,331,690
Total assets	61,754,512	49,168,314
Non-current financial liabilities	21,957,983	9,245,121
Share capital	31,201,163	30,516,664
Total common shares outstanding	426,954,767	421,191,515

(expressed in $, except number of shares)	Q3 2024	Q3 2023	YTD 2024	YTD 2023
P&NG sales revenue	4,727,708	3,920,428	13,807,274	8,524,001
Income (loss) for the period	(1,285,725)	71,011	(1,827,016)	(2,279,541)
Income (loss) per share	(0.00)	0.00	(0.00)	(0.01)
Funds flow provided by (used in) operations	651,692	1,099,567	2,828,098	279,465
Net cash flows provided by (used in) operating activities	(3,927,657)	4,237,560	(3,275,900)	(2,515,610)
Net cash per share – operating activities	(0.01)	0.01	(0.01)	(0.01)
Weighted average number of shares – basic	426,954,797	385,599,221	424,797,150	341,460,783

4. Operating Results Summary

Operating Netback

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
P&NG sales revenue ($)	4,727,708	3,920,428	13,807,274	8,524,001
Royalties ($)	(490,330)	(424,448)	(1,105,956)	(955,682)
Operating costs ($)	(2,496,800)	(1,978,034)	(6,841,939)	(5,479,529)
Operating netback ($)	1,740,578	1,517,946	5,859,379	2,088,790

Per BOE, except total BOE sales volumes	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Total BOE sales volumes	59,548	47,723	181,117	117,888
P&NG sales revenue ($)	79.39	82.15	76.23	72.36
Royalties ($)	(8.23)	(8.89)	(6.11)	(8.11)
Operating costs ($)	(41.93)	(41.45)	(37.78)	(46.52)
Operating netback per BOE ($)	29.23	31.81	32.35	17.73

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

Sales Volumes and Revenues

Sales Volumes	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Oil and condensate (bbls)	58,785	42,595	171,835	110,488
Natural gas (mcf)	4,529	30,716	55,696	43,763
Total BOE	59,548	47,723	181,117	117,788
Liquids composition	99%	89%	95%	94%
Oil and condensate bbls per day	639	463	627	405
Natural gas mcf per day	49	334	203	160
Total BOE per day	647	519	661	431

The Corporation's sales volumes averaged 647 BOE per day in Q3 2024, an increase of 25% over 519 BOE per day in Q3 2023 and 661 BOE per day for YTD 2024, an increase of 53% over 431 BOE per day for YTD 2023. The increase in sales volumes in the 2024 periods is due to the execution of PEI's drilling program and increased working interest in its core properties.

Sales Revenue	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Oil and condensate ($)	4,723,913	3,849,781	13,727,611	8,407,951
Natural gas ($)	3,795	70,647	79,663	116,050
Total P&NG sales revenue	4,727,708	3,920,428	13,807,274	8,524,001
Oil and condensate per bbls ($)	80.36	90.38	79.89	76.10
Natural gas per mcf ($)	0.84	2.30	1.43	2.65
Total sales revenue per BOE ($)	79.39	82.15	76.23	72.36

Oil and condensate sales revenue increased by 23% in Q3 2024 over Q3 2023 and by 63% in YTD 2024 over YTD 2023 due to an increase in sales volumes and higher working interest in its core properties.

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

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Crude Oil				
West Texas Intermediate (US$/Bbl)	75.09	82.26	77.54	77.39
Edmonton Reference Price - light oil (Cdn$/Bbl)	97.85	107.85	98.46	100.84
Western Canada Select – heavy oil (Cdn$/Bbl)	83.91	93.00	84.40	80.45
Natural Gas				
NYMEX - Henry Hub (US$/mmBtu)	2.16	2.59	2.10	2.70
AECO 5A C (Cdn$/Mcf)	0.74	2.79	1.56	2.96
AECO 7A C (Cdn$/Mcf)	0.87	2.56	1.54	3.25
Canada to US dollar average exchange rate	0.73	0.75	0.74	0.74

Royalties

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Royalties ($)	490,330	424,448	1,105,956	955,682
Royalties per BOE ($)	8.23	8.89	6.11	8.11
Royalties as a percentage of sales revenue	10%	11%	8%	11%

Royalties as a percentage of sales revenue in YTD 2024 is 8%, lower than 11% for YTD 2023 due to an increase in sales volumes from horizontal wells in 2024 for which the royalty rate is 2.5% versus 17.5%.

Operating Costs

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Production and processing ($)	2,154,167	1,701,574	6,127,965	4,860,315
Transportation ($)	342,633	276,460	713,974	619,214
Operating costs ($)	2,496,800	1,978,034	6,841,939	5,479,529
Production and processing per BOE ($)	36.18	35.66	32.40	41.26
Transportation per BOE ($)	5.75	5.79	5.38	5.26
Operating costs per BOE ($)	41.93	41.45	37.78	46.52

Operating cost per BOE in YTD 2024 is $37.78, 19% lower than the same period in 2023, mainly due to higher sales volumes in the 2024 period.

General and Administrative ("G&A") Expense

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Gross G&A expense ($)	1,184,741	643,480	3,317,525	2,142,995
G&A recoveries ($)	(84,743)	(156,263)	(293,428)	(335,799)
Net G&A expense ($)	1,099,998	487,217	3,024,097	1,807,196
Net G&A expense per BOE ($)	18.47	10.21	16.70	15.34

Net G&A expense is higher in the 2024 periods due to increases in salaries and benefits related to the addition of 8 office and field employees as of Q3 2024 compared to Q3 2023, higher factor fees, higher regulatory compliance costs and extra billings over the amount accrued for the 2023 audit combined with a decrease in G&A recoveries.

Depletion and Depreciation

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Depletion ($)	718,472	459,351	2,253,930	1,134,211
Depreciation ($)	39,533	39,563	118,600	118,600
	758,005	498,914	2,372,530	1,252,811
Depletion rate per BOE ($)	12.07	9.63	12.44	9.63

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.

The depletion rate per BOE is higher in the 2024 periods than in the 2023 periods due mainly to the increase in the Corporation's working interest in its core properties, capitalized workovers and the related increases from future development costs for P&NG proved and probable reserves. As at September 30, 2024, estimated future development costs associated with the Corporation´s P&NG proved and probable reserves is $37.0 million (September 30, 2023 – $15.4 million).

Accretion

During the Q3 2024 and YTD 2024, the Corporation recognized $107,240 and $381,591 (Q3 2023 and YTD 2023 – $163,094 and $517,271), respectively, of accretion expense in respect of the Corporation's decommissioning liabilities. As at September 30, 2024, the undiscounted decommissioning liabilities associated with the Corporation's existing properties was estimated to be $27.2 million for which $21.8 has been recorded using a discount rate of 3.13% to 3.68%, an annual inflation rate of 1.95% to 3.00% and an estimated timing of cash flows of 1 to 15 years.

Share-based Compensation

Between July 3 and August 28, 2029, the Corporation granted a total of 4,760,000 stock options to officers, directors and employees of the Corporation at exercise prices ranging from $0.06 to $0.075 per share. The stock options expire five years from the date of grant and vest 20% on the anniversary of each grant date from 2025 to 2029.

The grant date fair value of the stock options was determined to be $376,130 using the Black-Scholes model based on the following assumptions:

Expected volatility	285% – 288%	Expected dividend yield	nil
Expected life	5 years	Risk-free interest rate	3.82%
Grant date share price	$0.06 to $0.07	Fair value per option	$0.07 - $0.08

During the Q3 2024 and YTD 2024, the Corporation recognized $62,519 and $109,393 (Q3 2023 and YTD 2023 – $152,045 and $180,863), respectively, of share-based compensation expense. Share-based compensation recognized in the 2024 and 2023 periods is primarily in respect of stock options granted to employees, officers and directors in prior years and the 4,760,000 stock options granted Q3 2024. As at September 30, 2024, the remaining unvested balance of stock option fair value was $418,034.

Finance Expense, Net

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Imputed interest on lease liability ($)	14,640	18,780	47,078	58,810
Convertible debt interest and accretion	98,469	62,230	286,495	224,602
Promissory note interest and accretion	45,061	80,579	472,170	354,574
GORR financing interest ($)	245,776	–	507,087	–
Term loan interest and accretion ($)	328,704	–	328,704	–
Interest and bank charges ($)	306,035	53,413	234,600	112,952
Interest and other income ($)	(29,052)	(71,099)	(29,052)	(142,877)
	1,009,633	143,903	1,847,082	608,061

Finance expense, net of minor interest and other income, is higher in the 2024 periods than in the 2023 periods due to:

- Interest on 14% promissory notes issued in November 2023.
- GORR financing obtained in November 2023 and June 2024 whereby the amount of financing received is accreted up to the repurchase price of each GORR using the effective interest method.
- Interest and accretion on the term loan obtained on July 3, 2024.

5. Capital Spending, Acquisitions and Dispositions

	YTD 2024	YTD 2023
Cash additions to P&NG assets ($)	5,033,871	7,813,914
Working interest acquisitions ($)	6,258,506	262,149
Working interest disposition ($)	(2,411,338)	–
Decommissioning revisions ($)	2,789,895	42,149
	11,670,934	8,118,212

During the YTD 2024 period, the Corporation incurred $5,033,871 of capital expenditures on P&NG assets, primarily in the Brooks, Cuthbert, Luseland, and Hearts Hill areas as compared to $7,813,914 in the YTD 2023 period in the Cuthbert and Brooks areas.

<u>7% working interest acquisition and disposition</u>

On May 1, 2024, the Corporation acquired an undivided 7% working interest from a joint operating partner in the Cuthbert, Luseland, and Hearts Hill areas in exchange for 100% working interest in the Red Earth property and full forgiveness of the

partner's joint operating receivables.

As substantially all of the fair value of the acquired working interest is concentrated in a group of similar identifiable assets, 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.

Working interest acquired:		
Petroleum and natural gas assets	$	2,901,078
Decommissioning liability		(1,045,591)
	$	1,855,487
Fair value of consideration:		
Petroleum and natural gas assets	$	2,411,338
Decommissioning liability		(744,477)
Joint operating receivable forgiveness		188,627
	$	1,855,487

10% working interest acquisition

On July 1, 2024, the Corporation acquired 10% working interest from a joint operating partner in the Cuthbert, Luseland, and Hearts Hill areas for $1,792,646 of consideration comprised of $25,000 of cash and $375,000 cash payable over 16 months, 3,076,923 common shares and 3,076,923 warrants of the Corporation and forgiveness of $1,192,646 of the partner's joint operating receivables.

As substantially all of the fair value of the acquired working interest is concentrated in a group of similar identifiable assets, 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.

Working interest acquired:		
Petroleum and natural gas assets	$	3,357,428
Decommissioning liability		(1,564,782)
	$	1,792,646
Fair value of consideration:		
Cash	$	25,000
Accounts payable		375,000
3,076,923 common shares to be issued		200,000
Joint operating partner receivable forgiveness		1,192,646
	$	1,792,646

As the Corporation had not yet received approval from the TSX Venture Exchange for the issuance of the common shares and warrants, the purchase price is subject to adjustment for the fair value of share consideration based on the market price of the Corporations' shares on the date of issuance and the fair value of warrants to be determined using the Black-Scholes model on the date of issuance.

Net working interest ownership by area

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

	September 30 2024	December 31 2023
Red Earth	0%	100%
Hearts Hill	100%	83%
Luseland	100%	83%
Cuthbert	86%	69%
Pouce Coupe	85%	68%
Brooks	50%	50%
Average working interest	**84%**	**76%**

6. Liquidity and Capital Resources

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

The Corporation's financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation has historically met its day-to-day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt. As at September 30, 2024, the Corporation has a working capital deficiency of $8,744,415 (December 31, 2023 – $17,476,759), and a deficit of $37,388,179 (December 31, 2023 – $35,523,987).

During Q3 2024 and YTD 2024, the Corporation generated $1,740,578 and $5,859,379, respectively, of operating netback as compared to $1,517,946 and $2,088,790 generated in Q3 2023 and YTD 2023. The increase was due to additional production online from the 2023 and 2024 development program and increased working interest.

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 YTD 2024:

- In January 2024, the Corporation collected $1,000,000 of proceeds related to the 2023 GORR financing (see below).
- On March 21, 2024, the Corporation settled accrued interest expense of $376,051 payable to the Corporation's convertible debenture holders through the issuance of 3,581,434 common shares for which the market price on the date of issuance was $0.09 per share.
- On May 17, 2024, the Corporation settled claims from a former executive of $120,000 through the issuance of 2,181,818 common shares for which the market price on the date of issuance was $0.07 per share.
- On June 1, 2024, the Corporation sold a 0.7% GORR on petroleum and natural gas revenue from all of the Corporation's properties, for total consideration of $3,363,495 comprised of the transfer of $2,503,000 of promissory note principal and $248,180 of accrued interest and $612,315 of cash.
- On July 3, 2024, the Corporation closed a debt financing of $11 million bearing interest at 12% per annum, calculated and payable monthly, and a maturity date of July 3, 2026, at which time the principal amount is due in full.

At September 30, 2024, maturities of the Corporation's financial liabilities are as follows:

			Timing of cash flows		
	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 3 years
Trade and other payables	16,483,268	16,483,855	16,393,728	90,127	–
CEBA loan	23,376	26,544	11,832	14,712	–
Lease liability	617,970	692,891	277,931	291,969	122,991
Convertible debentures	2,189,765	2,333,433	2,333,433	–	–
Promissory notes	1,518,157	1,634,306	1,134,980	499,326	–
GORR financing	6,900,406	7,466,194	3,430,000	4,036,194	–
Term debt	10,950,732	13,426,630	1,320,000	12,106,630	–
Due to related party	1,090,750	1,090,750	1,090,750	–	–
	39,774,424	43,154,603	25,992,654	17,038,958	122,991

Convertible debentures

As at September 30, 2024 and December 31, 2023, the Corporation had $2,333,433 principal amount of secured convertible debentures with a 2-year term maturing on March 26, 2025 and bearing interest at 8% per annum, compounded quarterly and payable at maturity, with a September 30, 2024 reported amortized cost of $2,189,765 (December 31, 2023 – $1,984,887).

At the Corporation's discretion, interest may be paid in cash or in common shares based on the market price at the time of settlement.

Upon conversion, each debenture will entitle the holder to one common share and share purchase warrant at a price of $0.05 in year one and $0.10 in year two. Each share purchase warrant is exercisable into one common share at a price of $0.075 for a period of two years from initial closing. The debentures are convertible at the option of the holder at any time prior to maturity. The Corporation may force conversion in the event that the Corporation's common shares trade at or above a price of $0.30 for ten or more consecutive days.

Promissory notes

As at September 30, 2024, the Corporation had $1,015,000 (December 31, 2023 – $3,015,000) principal amount of promissory notes maturing between February and April 2025 and bearing interest at 8% per annum, compounded quarterly and payable at maturity ("8% Promissory Notes"), $80,000 (December 31, 2023 – $583,000) principal amount of promissory notes maturing on November 15, 2025 and bearing simple interest at 14%, payable quarterly ("14% Promissory Notes") and $417,914 (December 31, 2023 – $417,914) principal amount of non-interest bearing promissory notes due from a related party with no fixed terms of repayment.

GORR financing

2023 GORR financing

On November 17, 2023, the Corporation sold a 1% Gross Overriding Royalty ("GORR") on petroleum and natural gas revenue from the Corporation's Cuthbert properties for cash consideration of $3,000,000, of which $2,000,000 was received in 2023 and $1,000,000 reported in trade and other receivables at December 31, 2023 and collected in January 2024. Failure to remit royalty payments will result in the Corporation paying, in addition to those funds, interest at 18% per annum, compounded monthly.

The Corporation has the right of first refusal to repurchase the GORR for $3,430,000 on or before October 1, 2024 or $3,480,000 on or before November 30, 2025. If the repurchase of the royalty occurs after November 30, 2024, and if royalty payments for any quarter do not exceed $250,000 per quarter prior to the repurchase 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, 16 % from November 30, 2024 to May 31, 2025 and 22% thereafter, if the royalty interest has not been repurchased.

On October 1, 2024, the Corporation re-purchased the 2023 GORR financing for $3,430,000.

2024 GORR financing

On June 1, 2024, the Corporation sold a 0.7% GORR on petroleum and natural gas revenue from all of the Corporation's properties, for total consideration of $3,363,495 as noted above. The Corporation may repurchase the GORR on or before April 15, 2026 for 120% of the original purchase price. If the Corporation elects to repurchase the GORR on or before February 1, 2026 the repurchase price shall be 118% of the original purchase price.

Term loan

On July 3, 2024, the Corporation closed a debt financing of $11 million bearing interest at 12% per annum, calculated and payable monthly, and a maturity date of July 3, 2026, at which time the principal amount is due in full.

7. Related Party Transactions

All transactions with related parties are in the normal course of business and recorded at the exchange amount.

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Consulting fees included in G&A expenses ($) (a)	19,781	7,580	80,568	54,511
Interest on promissory notes ($) (b)	–	–	81,127	–
Expenditures capitalized to P&NG assets ($) (c)	2,282,661	604,816	2,849,695	1,048,229

(a) Charged by officers and directors of the Corporation.

(b) Held by an officer and director of the Corporation.

(c) Incurred by an officer and director of the Corporation or a corporation controlled by the officer director.

The following amounts due to/from related parties included in trade and other receivables, trade and other payables, promissory notes and due to related party are unsecured, non-interest bearing and due within 12 months of the reporting period date.

	September 30 2024	December 31 2023
Trade and other receivables ($)	3,592,599	1,048,119
Trade and other payables ($)	379,546	797,212
Promissory notes ($)	417,914	417,914
Due to related party ($)	1,090,750	1,090,750

8. Subsequent Events

In October 2024, the Corporation made the full re-purchase of the 2023 GORR financing. The GORR re-purchase took advantage of the early payment discount of $50,000 at a total settlement value of $3,430,000.

In November 2024, the Corporation completed the first tranche of its non-brokered unit offering for total proceeds of $500,000. Each unit, priced at $1,000 per unit, consists of: (i) a one-year secured promissory note with a principal amount of $1,000, carrying a 12% annual interest rate, and (ii) 5,000 common share purchase warrants of the Corporation at an exercise price of $0.05 per share for a period of three years.

In November 2024, the Corporation and its principal Lender amended the $11,000,000 term debt dated July 7, 2024, increasing the principal balance by $500,000 to $11,500,000. The debt retains its original terms, including a 12% interest rate and two-year maturity, with no other changes.

The Corporation is undertaking a comprehensive investigation which includes a third-party audit into the related party acquisition concerning the Brooks property. This investigation involves a thorough examination of the circumstances surrounding the acquisition and the transaction amounts, including the $417,914 0% promissory note and related party liability of $1,090,750, both of which are currently shown as a payable to the related party. The investigation reflects the Corporation's commitment to maintaining transparency, accountability, and ethical business practices in its operations. Furthermore, on October 31, 2024, a demand letter for the outstanding receivables balance was issued. The demand period has now lapsed without any payment being received.

9. Share Capital

Issued and outstanding	Common shares	Share purchase warrants	Stock options
Balance, December 31, 2023	421,191,515	58,837,891	9,203,208
Issued/granted	5,763,252	–	4,760,000
Expired	–	(34,836,082)	–
Forfeited	–	–	(11,200)
Balance, September 30, 2024 and date of MD&A	426,954,767	24,001,809	13,952,008

The Corporation is awaiting TSX Venture Exchange approval for the issuance of 3,076,923 common shares and 3,076,923 warrants in respect of the July 1, 2024 10% working interest acquisition. It is intended that each warrant will be exercisable into one common share of the Corporation at a price of $0.10 in the first year and $0.15 in the second year until expiry, also subject to TSXV approval.

10. Contingencies and Commitments

The Corporation is party to litigation in the normal course of operations. At December 31, 2023, management performed an assessment of the probability of an unfavorable outcome of existing claims and accrued $313,439 in in trade and other payables, representing management's best estimate of the obligation at that time. During the nine months ended September 30, 2024, all litigation related to the accrued contingencies were settled.

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, trade and other payables, CEBA loan, and due to related party are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2024 and December 31, 2023, 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 debt, 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:

	September 30 2024	December 31 2023
Cash ($)	3,337,277	118,933
Trade and other receivables – current ($)	4,090,988	3,244,596
Trade and other receivables – long-term ($)	2,992,855	4,387,826
Deposits ($)	1,059,537	1,015,400
	11,480,657	8,766,755

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.

	September 30 2024	December 31 2023
0 to 60 days	2,216,331	2,296,139
61 to 90 days	281,420	32,119
Over 90 days	4,586,092	5,304,164
Total trade and other receivables	7,083,843	7,632,422

13. Selected Quarterly Information

Unaudited	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Working capital deficiency ($)	(8,744,415)	(14,798,176)	(17,792,623)	(17,476,759)	(11,916,745)	(8,481,224)	(10,432,632)	(16,844,108)
P&NG sales ($)	4,727,708	5,147,351	3,932,215	4,659,463	3,920,428	3,041,561	1,562,012	2,481,955
Income (loss) ($)	(1,285,725)	78,692	(657,159)	(2,892,426)	71,011	(779,438)	(1,571,114)	(828,978)
Income (loss) per share ($)	(0.00)	0.00	(0.00)	(0.01)	0.00	(0.00)	(0.00)	(0.00)
Cash capital expenditures ($)	2,741,967	398,647	1,893,257	7,004,135	6,062,834	2,185,673	(130,295)	2,190,921
WI acquisitions, net ($)	3,357,428	489,740	–	–	–	262,149	–	–

Fluctuations in quarterly P&NG revenues 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 four wells drilling in Brooks, and all areas workovers.

14. Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS Accounting Standards 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, 2023 audited annual financial statements.

15. Changes in Material Accounting Policies

There have been no changes in material accounting policies in the current reporting period.

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

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 September 30, 2024 unaudited condensed interim financial statements and the December 31, 2023 audited annual 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 Corporation'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.

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 and nine months ended September 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 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.

17. Responsibility for Financial Reporting, Controls & Procedures

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

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

As the Corporation is classified as a Venture Issuer under applicable securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certifications, which it has done for the three and nine months ended September 30, 2024. The Corporation makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at September 30, 2024.

18. Directors, Officers & Other

Directors:

Shubham Garg (Chairman of the Board), 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

Other:

Corporate Office: Suite 730, 444 7 Ave SW, Calgary, AB T2P 0X8
Auditors: MNP LLP – 112 4 Ave SW, Suite 2000, Calgary, AB T2P 0H3
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 SW, Calgary, AB T2P 1B3