



PROSPERA ENERGY INC.
Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at and for the three and nine months ended September 30, 2024.

PROSPERA ENERGY INC.
Condensed Interim Statements of Financial Position
(in Canadian dollars)

	Note	September 30 2024 (unaudited)	December 31 2023 (audited)
ASSETS			
Current			
Cash		\$ 3,337,277	\$ 118,933
Trade and other receivables	4	4,090,988	3,244,596
Prepaid expenses and deposits		705,691	548,443
Inventory		938,070	521,426
Total current assets		9,072,026	4,433,398
Non-current			
Trade and other receivables	4	2,992,855	4,387,826
Deposits		1,059,537	1,015,400
Property and equipment	5	48,630,094	39,331,690
Total assets		\$ 61,754,512	\$ 49,168,314
LIABILITIES			
Current			
Trade and other payables	6	\$ 16,483,268	\$ 20,490,775
Flow-through share premium		–	17,000
Due to related party	19	1,090,750	1,090,750
Deferred subscription proceeds		–	15,000
CEBA loan		9,659	30,000
Current portion of lease liability	7	232,764	266,632
Total current liabilities		17,816,441	21,910,157
Non-current			
CEBA loan		13,717	–
Lease liability	7	385,206	503,808
Convertible debentures	8	2,189,765	1,984,887
Promissory note	9	1,518,157	3,723,102
GORR financing	10	6,900,406	3,033,324
Term loan	11	10,950,732	–
Decommissioning liabilities	12	21,847,885	16,810,503
Total liabilities		61,622,309	47,965,781
SHAREHOLDERS' EQUITY			
Share capital	13	31,201,163	30,516,664
Share purchase warrants	14	827,956	1,623,199
Contributed surplus		5,463,112	4,558,506
Equity portion of convertible debentures		28,151	28,151
Deficit		(37,388,179)	(35,523,987)
Total shareholders' equity		132,203	1,202,533
Total liabilities and shareholders' equity		\$ 61,754,512	\$ 49,168,314

Going concern (Note 2)
Contingencies (Note 21)
Subsequent events (Note 22)

The accompanying notes are an integral part of these condensed interim financial statements.

PROSPERA ENERGY INC.**Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)****For the three and nine months ended September 30**

(Unaudited, in Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	2024	2023	2024	2023
Revenues					
Petroleum and natural gas sales	17	\$ 4,727,708	\$ 3,920,428	\$ 13,807,274	\$ 8,524,001
Royalties		(490,330)	(424,448)	(1,105,956)	(955,682)
		4,237,378	3,495,980	12,701,318	7,568,319
Expenses					
Operating		2,496,800	1,978,034	6,841,939	5,479,529
General and administrative		1,099,998	487,217	3,024,097	1,807,196
Depletion and depreciation	5	758,005	498,914	2,372,530	1,252,811
Accretion	12	107,240	163,094	381,591	517,271
Share-based compensation	15	62,519	152,045	109,363	180,863
Other (gains) losses		(11,092)	1,762	(11,092)	2,129
		4,513,470	3,281,066	12,718,428	9,239,799
Income (loss) from operations		(276,092)	214,914	(17,110)	(1,671,480)
Finance expense, net	18	1,009,633	143,903	1,847,082	608,061
Income (loss) and comprehensive income (loss)		\$ (1,285,725)	\$ 71,011	\$ (1,864,192)	\$ (2,279,541)
Income (loss) per share					
Basic and diluted	16	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.01)

The accompanying notes are an integral part of these condensed interim financial statements.

PROSPERA ENERGY INC.
Condensed Interim Statements of Changes in Equity
For the nine months ended September 30
(Unaudited, in Canadian dollars)

	Note	2024	2023
Share capital			
Balance, December 31	13	\$ 30,516,664	\$ 17,189,373
Private placement of common shares		–	1,176,590
Warrant proceeds		6,724	9,356,465
Shares issued on debt conversion		–	947,312
Shares issued on settlement of debt		477,775	–
Share issuance costs		–	(47,304)
Shares to be issued	5	200,000	–
Balance, September 30		31,201,163	28,622,436
Share purchase warrants			
Balance, December 31	14	1,623,199	2,875,863
Warrants issued on private placement		–	509,483
Warrants exercised		–	(1,820,286)
Warrants expired		(795,243)	(88,836)
Warrants issued on debt conversion		–	528,023
Balance, September 30		827,956	2,004,247
Contributed surplus			
Balance, December 31		4,558,506	4,059,783
Warrants expired	14	795,243	88,836
Share-based compensation	15	109,363	180,863
Balance, September 30		5,463,112	4,329,482
Equity portion of convertible debentures			
Balance, December 31		28,151	27,262
Conversion of convertible debentures		–	(11,336)
Balance, September 30		28,151	15,926
Deficit			
Balance, December 31		(35,523,987)	(30,352,020)
Loss for the period		(1,864,192)	(2,279,541)
Balance, September 30		(37,388,179)	(32,631,561)
Total shareholders' equity		\$ 132,203	\$ 2,340,530

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PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited, in Canadian dollars)

	Note	2024	2023
Cash flows provided by (used in) operating activities			
Net loss for the period		\$ (1,864,192)	\$ (2,279,541)
Items not affecting cash:			
Depletion and depreciation	5	2,372,530	1,252,811
Accretion	12	381,591	517,271
Share-based compensation	15	109,363	180,863
Finance expense	18	1,847,082	608,061
Gain on debt settlement		(18,276)	–
Funds flow from (used by) operations		2,828,098	279,465
Change in non-cash working capital:			
Trade and other receivables		(1,832,693)	(2,327,745)
Prepaid expenses and deposits		(201,385)	(571,965)
Inventory		(416,644)	23,188
Trade and other payables		(3,653,276)	81,447
Net cash flows provided by operating activities		(3,275,900)	(2,515,610)
Cash flows provided by (used in) financing activities			
Lease payments	7	(199,548)	(103,950)
Proceeds from private placements		–	1,005,929
Proceeds from warrant exercises	13	6,724	6,889,741
Proceeds from GORR financing	10	1,608,815	–
Proceeds from Term loan	11	10,946,044	–
Repayment of CEBA loan		(6,624)	–
Deferred subscription and warrant proceeds		–	82,647
Proceeds from promissory note		–	3,014,985
Repayment of cash held from debenture sale		–	(1,082,999)
Interest paid	18	(802,296)	(112,848)
Net cash flows provided by financing activities		11,553,115	9,693,505
Cash flows provided by (used in) investing activities			
Property and equipment expenditures	5	(5,033,871)	(7,813,914)
Acquisitions	5	(25,000)	(220,000)
Net cash flows used in investing activities		(5,058,871)	(8,033,914)
Change in cash		3,218,344	(856,019)
Cash, beginning of period		118,933	1,050,960
Cash, end of period		\$ 3,337,277	\$ 194,941

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited, in Canadian dollars)

1. GENERAL DESCRIPTION

Prospera Energy Inc. (the “Corporation” or “Prospera”) was incorporated under the Canada Business Corporations Act on April 14, 2003, as Georox Resources Inc. The Corporation changed its name to Prospera on June 28, 2018. The Corporation is listed on the TSX-Venture Exchange under the ticker “PEI” and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation’s registered office is Suite 730, 444 7th Ave SW, Calgary, Alberta, Canada, T2P 0X8.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The 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).

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 financial statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Corporation is unable to meet its obligations as they fall due, the preparation of these financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Corporation’s assets, liabilities, revenues, expenses, and balance sheet adjustments may be necessary. Such adjustments could be material.

3. BASIS OF PRESENTATION AND AUTHORIZATION

The unaudited condensed interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and adhere to the guidance of International Accounting Standard 34 – Interim Financial Reporting. Certain information and disclosures included in the December 31, 2023 audited financial statements, prepared in accordance with IFRS Accounting Standards, have been condensed or omitted. The Corporation has consistently applied the same accounting policies throughout all periods presented. These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2023.

The unaudited condensed interim financial statements were authorized for issuance by the Corporation’s Board of Directors on **November 26th, 2024**.

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
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(Unaudited, in Canadian dollars)

4. TRADE AND OTHER RECEIVABLES

The Corporation's trade and other receivables relate to petroleum and natural gas sales revenue and are reported in the statement of financial position as follows:

	September 30 2024	December 31 2023
Current		
Petroleum and natural gas marketers	\$ 1,304,061	\$ 1,696,311
Joint operating partners	2,786,927	1,468,435
Other	–	79,850
	4,090,988	3,244,596
Non-current		
Petroleum and natural gas marketers	231,753	–
Joint operating partners	2,680,912	3,715,960
Other	80,190	671,866
	2,992,855	4,387,826
Total trade and other receivables	\$ 7,083,843	\$ 7,632,422

The aging of trade and other receivables is as follows:

	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

The Corporation's production is sold to a variety of purchasers under normal industry sale and payment terms. Accounts receivable are from customers and joint operating partners in the Canadian petroleum and natural gas industry and are subject to normal industry specific credit risk.

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.

As at September 30, 2024, one joint venture partner (Note 19) accounted for 51% of trade and other receivables (December 31, 2023 – one joint venture partner, 14%), with a balance greater than 10% of total trade and other receivables. The Corporation is conducting a comprehensive investigation (Note 22) including a third-party audit into the related-party acquisition of the Brooks property, which encompasses a detailed review of the receivables balance. 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.

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
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5. PROPERTY AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use asset	Total property and equipment
Cost			
Balance, December 31, 2023	\$ 57,840,467	\$ 830,203	\$ 58,670,670
Cash additions	5,033,871	–	5,033,871
Working interest acquisitions	6,258,506	–	6,258,506
Working interest disposition	(9,490,727)	–	(9,490,727)
Decommissioning revisions (Note 12)	2,789,895	–	2,789,895
Balance, September 30, 2024	\$ 62,432,012	\$ 830,203	\$ 63,262,215
Accumulated depletion and depreciation			
Balance, December 31, 2023	\$ 19,012,584	\$ 326,396	\$ 19,338,980
Working interest disposition	(7,079,389)	–	(7,079,389)
Depletion and depreciation	2,253,930	118,600	2,372,530
Balance, September 30, 2024	\$ 14,187,125	\$ 444,996	\$ 14,632,121
At December 31, 2023	\$ 38,827,883	\$ 503,807	\$ 39,331,690
At September 30, 2024	\$ 48,244,887	\$ 385,207	\$ 48,630,094

7% working interest acquisition and disposition

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 partner receivable forgiveness	188,626
	\$ 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.

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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 pricing model. 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.

Future development costs

The calculation of depletion for the nine months ended September 30, 2024 included estimated future development costs of \$37.0 million (nine months ended September 30, 2023 – \$15.5 million) associated with the development of the Corporation's proved plus probable reserves.

Overhead recoveries

Cash additions for the nine months ended September 30, 2024 include \$293,428 (nine months ended September 30, 2023 – \$335,795) of recoveries related to the Corporation's working interest in operated capital expenditure programs on which overhead has been charged in accordance with standard industry operating agreements.

6. TRADE AND OTHER PAYABLES

The Corporation's trade and other payables consist of:

	September 30 2024	December 31 2023
Trade payables	\$ 12,454,371	\$ 18,138,316
Accrued liabilities and other payables	4,028,897	2,352,459
	\$ 16,483,268	\$ 20,490,775

Trade payables are non-interest bearing and are typically settled on 30 to 120 day terms.

PROSPERA ENERGY INC.
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(Unaudited, in Canadian dollars)

7. LEASE LIABILITY

Balance, December 31, 2023	\$	770,440
Imputed interest (Note 18)		47,078
Lease payments		(199,548)
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Balance, September 30, 2024	\$	617,970
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Current	\$	232,764
Non-current		385,206
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	\$	617,970
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The Corporation incurs lease payments related to office premises for which the related lease expires on February 28, 2027. As at September 30, 2024, the remaining minimum lease payments in each calendar year are as follows:

2024 (remainder)	\$	65,717
2025		284,786
2026		293,097
2027		49,291
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	\$	692,891
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8. CONVERTIBLE DEBENTURES

Balance, December 31, 2023	\$	1,984,887
Accretion (Note 18)		204,878
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Balance, September 30, 2024	\$	2,189,765
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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.

During the nine months ended September 30, 2024, the Corporation recognized \$81,617 (nine months ended September 30, 2023 – \$107,367) of interest expense on convertible debentures (Note 18).

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
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(Unaudited, in Canadian dollars)

9. PROMISSORY NOTES

Balance, December 31, 2023	\$	3,723,102
Exchanged for 2024 GORR financing (Note 10)		(2,503,000)
Accretion (Note 18)		247,229
Amortization of transaction costs (Note 18)		50,826
Balance, September 30, 2024	\$	1,518,157

In June 2024, the Corporation received interest from multiple promissory note holders to participate in its GORR financing using their outstanding promissory note balances and accrued interest. Consequently, promissory notes totaling \$2,503,000 and \$248,180 of accrued interest included in accounts payable and accrued liabilities, were canceled with the funds subsequently allocated to PEI's GORR financing initiative.

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 (Note 19) with no fixed terms of repayment.

During the nine months ended September 30, 2024, the Corporation recognized \$174,115 (nine months ended September 30, 2023 – \$145,997) of interest expense (Note 18) on promissory notes.

The Corporation is undertaking a comprehensive investigation (Note 22) which includes a third-party audit into the related-party acquisition concerning the Brooks property. This investigation involves an examination of the \$417,914 0% promissory note which is currently shown as a payable to the related party.

10. GORR FINANCING

Balance, December 31, 2023	\$	3,033,324
2024 GORR financing – promissory note exchange (Note 9)		2,751,180
2024 GORR financing – cash proceeds		612,315
Transaction costs		(3,500)
Amortization of transaction costs (Note 18)		3,247
Accretion (Note 18)		503,840
Balance, September 30, 2024	\$	6,900,406

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. Related transaction costs were \$3,500. 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.

The Corporation repurchased the GORR for \$3,430,000 on October 1, 2024 (Note 22).

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited, in Canadian dollars)

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 comprised of the transfer of \$2,503,000 of promissory note principal and \$248,180 of accrued interest (Note 9) and \$612,315 of cash. Related transaction costs were \$3,500.

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.

Interest

During the nine months ended September 30, 2024, the Corporation recognized \$503,840 (nine months ended September 30, 2023 – \$nil) of accretion as the amount of financing received is accreted up to the repurchase price of each GORR using the effective interest method. (Note 18). As at September 30, 2024, the carrying amount of GORR financing includes \$540,664 (December 31, 2023 – \$36,824) of cumulative accretion.

11. 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. The Corporation incurred \$53,956 of transaction costs which are amortized to finance expense over the term of the loan.

Balance, December 31, 2023	\$	–
Proceeds		11,000,000
Transaction costs		(53,956)
Amortization of transaction costs (Note 18)		4,688
Balance, September 30, 2024	\$	10,950,732

During the nine months ended September 30, 2024, the Corporation recognized \$324,016 (nine months ended September 30, 2023 – \$nil) of interest expense (Note 18) on term debt.

12. DECOMMISSIONING LIABILITIES

The following table presents the reconciliation of the carrying amount of the liabilities associated with the decommissioning of the Corporation's petroleum and natural gas assets:

Balance, December 31, 2023	\$	16,810,503
Working interest acquisitions (Note 5)		2,610,373
Working interest disposition (Note 5)		(744,477)
Revisions		2,789,895
Accretion		381,591
Balance, September 30, 2024	\$	21,847,885

The following significant assumptions were used to estimate the decommissioning liability:

Undiscounted cash flows	\$	27,161,394
Discount rate		3.13% - 3.68%
Inflation rate		1.95% - 3.00%
Expected timing of cash flows		1 to 15 years

PROSPERA ENERGY INC.**Notes to the Condensed Interim Financial Statements****For the three and nine months ended September 30, 2024**

(Unaudited, in Canadian dollars)

13. SHARE CAPITAL

Issued common shares	Number	Amount
Balance, December 31, 2023	421,191,515	\$ 30,516,664
Debt settlements	5,763,252	477,775
Warrant proceeds	—	6,724
	426,954,767	\$ 31,001,163
Shares to be issued		
Working interest acquisition (Note 5)	3,076,923	200,000
	430,031,690	\$ 31,201,163

On March 21, 2024, the Corporation settled accrued interest expense of \$376,051 payable to the Corporation's convertible debenture holders (Note 8) 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.

14. SHARE PURCHASE WARRANTS

		Weighted average exercise price	Number	Amount
Balance, December 31, 2023	\$	0.080	58,837,891	\$ 1,623,199
Expired		(0.082)	(34,836,082)	(795,243)
Balance, September 30, 2024	\$	0.077	24,001,809	\$ 827,956

Information about share purchase warrants outstanding and exercisable at September 30, 2024 is as follows:

Expiry date	Exercise price	Number	Weighted average contractual life remaining (years)
February 14, 2025	\$ 0.090	15,330,000	0.38
February 14, 2025	0.105	459,900	0.38
November 15, 2025	0.130	211,909	1.13
December 31, 2025	0.050	4,315,000	1.25
March 3, 2026	0.050	2,000,000	1.42
May 31, 2026	0.050	810,000	1.67
	\$ 0.077	24,001,809	0.70

15. STOCK OPTIONS AND SHARE-BASED COMPENSATION

		Weighted average exercise price	Number
Balance, December 31, 2023	\$	0.08	9,203,208
Granted		0.06	4,760,000
Forfeited		(0.13)	(11,200)
Balance, September 30, 2024	\$	0.07	13,952,008

PROSPERA ENERGY INC.**Notes to the Condensed Interim Financial Statements****For the three and nine months ended September 30, 2024**

(Unaudited, in Canadian dollars)

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

Information about stock options outstanding and exercisable at September 30, 2024 is as follows:

Expiry date	Exercise price	Number outstanding	Number exercisable	Weighted average contractual life remaining (years)
December 15, 2024	\$ 0.050	250,000	250,000	0.21
March 21, 2025	0.100	1,250,000	1,250,000	0.47
June 29, 2025	0.050	300,000	300,000	0.75
December 30, 2025	0.050	2,100,000	2,100,000	1.25
March 21, 2026	0.125	1,250,000	1,250,000	1.47
June 30, 2026	0.050	350,000	350,000	1.75
December 22, 2026	0.050	210,000	210,000	2.23
February 11, 2027	0.050	200,000	200,000	2.37
April 1, 2027	0.050	50,000	50,000	2.50
May 27, 2027	0.050	700,000	700,000	2.65
December 1, 2027	0.095	50,000	25,000	3.17
December 19, 2027	0.075	666,668	333,334	3.22
March 14, 2028	0.125	230,340	172,755	3.45
March 20, 2028	0.110	400,000	100,000	3.47
June 1, 2028	0.110	100,000	–	3.67
June 29, 2028	0.100	1,000,000	970,000	3.75
September 26, 2028	0.120	85,000	17,000	3.99
July 3, 2029	0.060	4,335,000	–	4.76
August 8, 2029	0.070	100,000	–	4.86
August 12, 2029	0.065	100,000	–	4.87
August 20, 2029	0.075	125,000	–	4.89
August 28, 2029	0.070	100,000	–	4.91
	\$ 0.074	13,952,008	8,278,089	2.90

During the three and nine months ended September 30, 2024, the Corporation recognized \$62,519 and \$109,363 (three and nine months ended September 30, 2023 – \$152,045 and \$180,863), respectively, of share-based compensation expense. As at September 30, 2024, the remaining unvested balance of stock option fair value was \$418,034.

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited, in Canadian dollars)

16. INCOME (LOSS) PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Income (loss) for the period	\$ (1,285,725)	\$ 71,011	\$ (1,864,192)	\$ (2,279,541)
Basic weighted average number of shares	426,954,767	385,599,221	424,797,150	341,460,783
Income (loss) per share - basic	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.01)

The effect of share purchase warrants and stock options is anti-dilutive in loss periods. During the three months ended September 30, 2023, the dilutive effect of share purchase warrants and stock options was nominal.

17. PETROLEUM AND NATURAL GAS SALES REVENUE

The Corporation derives its revenue from contracts with customers primarily through the sale of commodities at a point in time representing the following major product types:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Petroleum sales	\$ 4,723,913	\$ 3,849,781	\$ 13,727,611	\$ 8,407,951
Natural gas sales	3,795	70,647	79,663	116,050
	\$ 4,727,708	\$ 3,920,428	\$ 13,807,274	\$ 8,524,001

As at September 30, 2024, total receivables from contracts with customers which are included in accounts receivable from petroleum and natural gas marketers and joint operating partners (Note 4), were \$1,535,814 (December 31, 2023 – \$1,696,311).

18. FINANCE EXPENSE, NET

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Imputed interest on lease liability (Note 7)	\$ 14,640	\$ 18,780	\$ 47,078	\$ 58,810
Convertible debentures (Note 8)	98,469	62,230	286,495	224,602
Promissory note (Note 9)	45,061	80,579	472,170	354,574
GORR financing (Note 10)	245,776	–	507,087	–
Term loan (Note 11)	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

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
For the three and nine months ended September 30, 2024
(Unaudited, in Canadian dollars)

19. RELATED PARTY TRANSACTIONS

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Consulting fees included in general and administrative expenses (a)	\$ 19,781	\$ 7,580	\$ 80,568	\$ 54,511
Interest on promissory notes (b)	\$ –	\$ –	\$ 81,127	\$ –
Expenditures capitalized to property and equipment (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.

Included in	September 30 2024	December 31 2023
Trade and other receivables (Note 4)	\$ 3,592,599	\$ 1,048,119
Trade and other payables (Note 6)	\$ 379,546	\$ 797,212
Promissory notes (Note 9)	\$ 417,914	\$ 417,914
Due to related party	\$ 1,090,750	\$ 1,090,750

The Corporation is undertaking a comprehensive investigation (Note 22) 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. 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.

20. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation generally relies on funds generated from operations, acquisitions and/or debt and equity financing to provide sufficient liquidity to meet budgeted operating requirements.

At September 30, 2024, 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 (Note 6)	16,483,268	16,483,855	16,393,728	90,127	–
CEBA loan	23,376	26,544	11,832	14,712	–
Lease liability (Note 7)	617,970	692,891	277,931	291,969	122,991
Convertible debentures (Note 8)	2,189,765	2,333,433	2,333,433	–	–
Promissory note (Note 9)	1,518,157	1,634,306	1,134,980	499,326	–
GORR financing (Note 10)	6,900,406	7,466,194	3,430,000	4,036,194	–
Term debt (Note 11)	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

PROSPERA ENERGY INC.
Notes to the Condensed Interim Financial Statements
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21. CONTINGENCY

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 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 was settled.

22. SUBSEQUENT EVENTS

In October 2024, the Corporation made the full re-purchase of the 2023 GORR financing (Note 10). 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.