# Prairie Provident Resources Announces First Quarter 2020 Financial and Operating Results

Calgary, Alberta – May 14, 2020 – Prairie Provident Resources Inc. ("Prairie Provident", "PPR" or the "Company") today announces our financial and operating results for the three months ended March 31, 2020. PPR's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 ("Interim Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2020 are available on our website at www.ppr.ca and filed on SEDAR.

PPR's first-quarter financial results reflect the significant decline in global energy demand and resultant impact on crude oil pricing caused by the COVID-19 pandemic, which were further intensified by the price war between Saudi Arabia and Russia that caused a global oil supply glut. The Company has taken proactive steps to maintain our liquidity and financial resilience during this unprecedented time, including suspending the capital program; conducting a bottom-up review of our operating expenses to identify immediate and targeted cost reduction opportunities; reducing compensation expenses across the organization; and reaching an agreement with our lenders to defer the Company's borrowing base re-determination and to suspend cash interest payments on our 15% subordinated unsecured notes due October 31, 2021 ("Senior Notes"). As a result of these initiatives, the Company expects to achieve adjusted funds flow savings of approximately $8.0 million - $11.0 million for 2020. In addition, PPR has WTI hedges on over 80% of our 2020 forecast base oil production (net of royalties), which protect our operating cash flows and provide further resiliency amid continued volatility. At March 31, 2020, our hedges were fair valued at over $22 million.

**Q1 2020 HIGHLIGHTS**

- Production averaged 5,281 boe/d[1] (68% liquids) in the quarter, which was 11% or 681 boe/d lower than Q1 2019, with the decrease mainly due to natural declines and the shut-in of certain non-core gas production, partially offset by new production coming on-stream from our 2019/2020 drilling program. Further, in light of the oil price downturns that have continued since early March 2020, uneconomic workovers have been deferred to preserve reserves value and liquidity.

- Operating netback in Q1 2020 was $3.2 million ($6.66/boe) before the impact of derivatives, and $5.2 million ($10.81/boe) after the realized gain on derivatives, a 62% and 38% decrease, respectively, relative to Q1 2019. Operating netback decreased in Q1 2020 compared to the same quarter of last year, reflecting lower production and lower realized oil and natural gas prices, partially offset by lower royalties and operating expenses and higher realized gains on derivatives.

- Adjusted funds flow ("AFF")[2] totaled $0.9 million ($0.01 per basic and diluted share), excluding $0.7 million of decommissioning settlements, reflecting the lower production and operating netback.

- Net loss totaled $68.1 million in Q1 2020, compared to a net loss of $21.3 million in Q1 2019, driven primarily by a non-cash impairment charge of $77.3 million related to the sharp decline in forward crude oil and natural gas prices.

- Net debt[2] at March 31, 2020 totaled $124.0 million, up $12.6 million from December 31, 2019. The increase was largely due to $7.0 million of unrealized foreign exchange impact, driven by a weaker Canadian dollar relative to the US dollar on the Company's US-dollar denominated debt, as well as capital expenditures in the quarter that exceeded AFF[2].

- During the quarter, PPR's capital spending was directed to the drilling and completion of one development well in our Michichi area which came on production in late March 2020. The well averaged 242 boe/d (weighted 84% to liquids) in initial production.[3]

- Subsequent to Q1 2020, a lender redetermination of the Revolving Facility borrowing base, originally scheduled for the Spring of 2020, has been temporarily deferred. The Company agreed to direct excess funds, after payment of all operating, G&A and other costs of conducting our business, to the repayment of borrowings on our senior secured revolving note facility ("Revolving Facility") and to not make any requests for further advances under that facility.

- In addition, the holders of our outstanding USD$28,500,000 original principal amount of Senior Notes, on which a portion of quarterly interest payments were previously paid in cash, have agreed to payment-in-kind of all interest for the next payment date of April 30, 2020 and thereafter.

1 Q1 2020 average production is comprised of 3,456 bbls/d of oil, 10,186 Mcf/d of natural gas, and 127 bbls/d of natural gas liquids. Q1 2019 average production included 3,892 bbls/d oil, 11,568 Mcf/d of natural gas, and 142 bbls/d of natural gas liquids.

2 Non-IFRS measure – see below under "Non-IFRS Measures"

3 The initial production rate for our Michichi development well is preliminary in nature and may not be indicative of stabilized on-stream production rates, future product types, long-term well or reservoir performance, or ultimate recovery. Actual future results will differ from those realized during an initial short-term production period, and the difference may be material.

## FINANCIAL AND OPERATING SUMMARY

| | Three Months Ended March 31, | |
|---|---|---|
| *($000s except per unit amounts)* | **2020** | 2019 |
| **Production Volumes** | | |
| Crude oil (bbls/d) | **3,456** | 3,892 |
| Natural gas (Mcf/d) | **10,186** | 11,568 |
| Natural gas liquids (bbls/d) | **127** | 142 |
| Total (boe/d) | **5,281** | 5,962 |
| % Liquids | **68 %** | 68 % |
| **Average Realized Prices** | | |
| Crude oil ($/bbl) | **41.35** | 56.70 |
| Natural gas ($/Mcf) | **2.10** | 2.44 |
| Natural gas liquids ($/bbl) | **27.52** | 38.65 |
| Total ($/boe) | **31.78** | 42.67 |
| **Operating Netback** ($/boe)[1] | | |
| Realized price | **31.78** | 42.67 |
| Royalties | **(2.67)** | (3.36) |
| Operating costs | **(22.45)** | (23.47) |
| Operating netback | **6.66** | 15.84 |
| Realized gains (losses) on derivative instruments | **4.15** | (0.24) |
| Operating netback, after realized gains (losses) on derivative instruments | **10.81** | 15.60 |

1 Operating netback is a Non-IFRS measure (see "Non-IFRS Measures" below).

| **Capital Structure** ($000s) | **As at March 31, 2020** | As at December 31, 2019 |
|---|---|---|
| Working capital (deficit)[1] | **(3.3)** | 2.2 |
| Long-term debt | **(120.7)** | (113.6) |
| Total net debt[2] | **(124.0)** | (111.4) |
| Debt capacity[3] | **4.3** | 3.1 |
| Common shares outstanding (in millions) | **172.1** | 171.4 |

1 Working capital (deficit) is a non-IFRS measure (see "Non-IFRS Measures" below) calculated as current assets less current portion of derivative instruments, minus accounts payable and accrued liabilities.

2 Net debt is a non-IFRS measure (see "Non-IFRS Measures" below), calculated by adding working capital (deficit) and long-term debt.

3 Debt capacity reflects the undrawn capacity of the Company's revolving facility of USD$60 million at March 31, 2020 and USD$60 million at December 31, 2019, converted at an exchange rate of $1.0000 USD to $1.4187 CAD on March 31, 2020 and $1.0000 USD to $1.2988 CAD on December 31, 2019.

| | Three Months Ended March 31, | |
|---|---|---|
| **Drilling Activity** | **2020** | 2019 |
| Gross wells | **1.0** | 0.0 |
| Net (working interest) wells | **1.0** | n/a |
| Success rate, net wells (%)[1] | **100 %** | n/a |

1 For the three months ended March 31, 2020, the company drilled one development well with a 100% success rate.

## OUTLOOK

The COVID-19 pandemic has resulted in a sharp decline in global economic activity, and consequently, a significant drop in energy demand.  As countries around the world start easing physical distancing and reopening their economies, it is anticipated that a corresponding increase in energy demand will be experienced, though the timing and extent of such economic recovery remains highly uncertain.

The downturn in oil prices has adversely affected PPR's operating results and financial position, although the impact has been somewhat buffered given that 80% of our 2020 forecast base oil production (net of royalties) is protected by near-term hedges. Our hedges have mitigated the Company's exposure to the severe price deterioration that has occurred during these unprecedented times, underpinning the importance of maintaining liquidity and financial resilience. After completing the Michichi well in March 2020, PPR has suspended our capital program to preserve liquidity and protect development economics.

Operationally, we have conducted a bottom-up review of of our operating expenses and identified immediate reduction opportunities totaling $2.2 million with an additional $2.8 million of target reduction over the balance of 2020. Cost reductions are expected to be realized through rate negotiations, workforce optimizations, shutting-in of uneconomic production and the deferral of activities.

In addition, effective April 2020, annual salaries for all executives and non-executives have been reduced by 20% and 10%, respectively, while the Board of Directors' annual remuneration has also been reduced by 25%. Certain employee benefit programs have also been suspended.  These measures are expected to result in $2.0 million of expense reductions for 2020.

PPR is actively pursuing various COVID-19 relief programs announced by the Government of Canada and the Government of Alberta.  PPR will assess the still-emerging details of the Business Development Bank of Canada ("BDC") oil and gas sector financing program announced in April 2020, which contemplates loans of between $15 million and $60 million at commercial rates for operating cash flow and business continuity purposes, repayable within 4 years. In late April, the Government of Alberta also announced its Site Rehabilitation Program aimed at incenting abandonment and reclamation activity.  PPR will assess the cost and benefits of directing spending towards decommissioning activities, with our participation decision dependent upon the incentives available and capital requirements from PPR.

As a result of the continuing and far-reaching impacts of COVID-19, the Company expects the remainder of 2020 to be a challenging time for our industry and for the global economy in general.  While PPR cannot control or influence the macro environment, we are committed to maintaining our balance sheet and liquidity through active cost reduction efforts and will continue to work closely with our lenders.

### Annual Shareholders' Meeting

PPR has been monitoring public health directives and recommendations relating to the COVID-19 pandemic, including continued restrictions on in-person gatherings, and looks forward to being able to hold its annual meeting of shareholders without having to limit physical attendance by shareholders and guests.  In the circumstances, the Company has determined to defer its annual meeting until the second half of the year and, in connection therewith, the filing of proxy materials containing disclosure on director nominees, the Company's auditor, executive compensation and corporate governance, in reliance on temporary relief issued by the Toronto Stock Exchange and the Canadian Securities Administrators as a result of the pandemic.[1]  The requisite shareholder communications and other actions necessary to call the meeting will be undertaken when the meeting date is decided.

1 In particular, the Company relies on the exemption in Alberta Securities Commission Blanket Order 51-518 and equivalent exemptions in other Canadian jurisdictions with respect to the filing of executive compensation disclosure, which is included in the information circular for annual shareholders' meetings.

**ABOUT PRAIRIE PROVIDENT**

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta. The Company's strategy is to grow organically in combination with accretive acquisitions of conventional oil prospects, which can be efficiently developed. Prairie Provident's operations are primarily focused at the Michichi and Princess areas in Southern Alberta targeting the Banff, the Ellerslie and the Lithic Glauconite formations, along with an established and proven waterflood project at our Evi area in the Peace River Arch. Prairie Provident protects its balance sheet through an active hedging program and manages risk by allocating capital to opportunities offering maximum shareholder returns.

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***Forward-Looking Statements***

*This news release contains certain statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events or circumstances, are based upon internal assumptions, plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as “anticipate”, “believe”, “expect”, “intend”, “plan”, “budget”, “forecast”, “target”, “estimate”, “propose”, “potential”, “project”, “continue”, “may”, “will”, “should” or similar words suggesting future outcomes or events or statements regarding an outlook.*

*Without limiting the foregoing, this news release contains forward-looking statements pertaining to: the Company's liquidity and financial resilience going-forward; cost reduction opportunities and the Company's ability to achieve them; and future improvements in economic activity and energy demand.*

*Forward-looking statements are based on a number of material factors, expectations or assumptions of Prairie Provident which have been used to develop such statements but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements, which are inherently uncertain and depend upon the accuracy of such expectations and assumptions. Prairie Provident can give no assurance that the forward-looking statements contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Actual results or events will differ, and the differences may be material and adverse to the Company. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: future commodity prices and currency exchange rates, including consistency of future prices with current price forecasts; the economic impacts of the COVID-19 pandemic, including the adverse effect on global energy demand, and the oversupply of oil production; results from development activities, and their consistency with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells, including production profile, decline rate and product mix; the accuracy of the estimates of Prairie Provident's reserves volumes; operating and other costs, including the ability to achieve and maintain cost improvements; continued availability of external financing and cash flow to fund Prairie Provident's current and future plans and expenditures, with external financing on acceptable* *terms; the impact of competition; the general stability of the economic and political environment in which Prairie Provident operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Prairie Provident to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Prairie Provident to secure adequate product transportation; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; and the ability of Prairie Provident to successfully market its oil and natural gas products.*

*Forward-looking statements are not guarantees of future performance or promises of future outcomes, and should not be relied upon. Such statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: changes in realized commodity prices; changes in the demand for or supply of Prairie Provident's products; the early stage of development of some of the evaluated areas and zones; the potential for variation in the quality of the geologic formations targeted by Prairie Provident's operations; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Prairie Provident or by third party operators; increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and gas reserves volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and such other risks as may be detailed from time-to-time in Prairie Provident's public disclosure documents, (including, without limitation, those risks identified in this news release and Prairie Provident's current Annual Information Form).*

*The forward-looking statements contained in this news release speak only as of the date of this news release, and Prairie Provident assumes no obligation to publicly update or revise them to reflect new events or circumstances, or otherwise, except as may be required pursuant to applicable laws. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement.*

***Barrels of Oil Equivalent***

*The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident sells its production volumes. Boes may therefore be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency ratio of 6:1, utilizing a 6:1 conversion ratio may be misleading as an indication of value.*

***Non-IFRS Measures***

*The Company uses certain terms in this news release and within the MD&A that do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly these measurements may not be comparable with the calculation of similar measurements used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the "Non-IFRS Measures" section in the MD&A. Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes. The non-IFRS measures used in this news release are summarized as follows:*

*<u>Working Capital</u> – Working capital (deficit) is calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The current portion of derivatives instruments is excluded as management intends to hold derivative contracts through to maturity rather than realizing the value at a point in time through liquidation. The current portion of decommissioning expenditures is excluded as these costs are discretionary and the current portion of flow-through share premium and warrant liabilities are excluded as it is a non-monetary liability. Lease liabilities have historically been excluded as they were not recorded on the balance sheet until the adoption of IFRS 16 – Leases on January 1, 2019.*

*<u>Net Debt</u> – Net debt is defined as long-term debt plus working capital surplus or deficit. Net debt is commonly used in the oil and gas industry for assessing the liquidity of a company.*

*<u>Operating Netback</u> – Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this news release were determined by taking (oil and gas revenues less royalties less operating costs). Operating netback may be expressed in absolute dollar basis or per unit basis. Per unit amounts are determined by dividing the absolute value by gross working interest production. Operating netback, including realized commodity (loss) and gain, adjusts the operating netback for only realized gains and losses on derivative instruments.*

*<u>Adjusted Funds Flow</u> – Adjusted funds flow is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR's operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary and utilizes the measure to assess its ability to finance capital expenditures and debt repayments. Adjusted funds flow as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share.*

*<u>Net Capital Expenditures</u> – Net capital expenditures is a non-IFRS measure commonly used in the oil and gas industry. The measurement assists management and investors to measure PPR's investment in the Company's existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment and exploration and evaluation expenditures from the consolidated statement of cash flows, plus capitalized stock-based compensation, plus acquisitions from business combinations, which is the outflow cash consideration paid to acquire oil and gas properties, less asset dispositions (net of acquisitions), which is the cash proceeds from the disposition of producing properties and undeveloped lands.*