



Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2023

Dated: May 15, 2023

Advisories

In this management’s discussion and analysis (“MD&A”), unless otherwise indicated or the context otherwise requires, the terms “we”, “us”, “our”, “PPR”, “Prairie Provident” and “the Company” refers to Prairie Provident Resources Inc., as parent corporation, together with its wholly-owned subsidiaries, Prairie Provident Resources Canada Ltd., Lone Pine Resources Inc., Lone Pine Resources (Holdings) Inc., Arsenal Energy USA Inc. and Arsenal Energy Holding Ltd.

The following MD&A of PPR provides management’s analysis of the Company’s results of operations, financial position and outlook as at and for the three months ended March 31, 2023. This MD&A is dated May 15, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2023 (the “Interim Financial Statements”), the audited consolidated financial statements of PPR as at and for the year ended December 31, 2022 (the “2022 Annual Financial Statements”) and the 2022 annual MD&A (the “Annual MD&A”). Additional information relating to PPR, including the Company’s December 31, 2022 Annual Information Form, is available on SEDAR at www.sedar.com.

All financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Unless otherwise noted, all financial information provided herein is reported in Canadian dollars. Production volumes are presented on a working-interest basis, before royalties.

This MD&A contains forward-looking statements and non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the Company’s disclosures under the headings “Forward-Looking Statements” and “Non-IFRS Measures” included at the end of this MD&A.

Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

bbl	barrel	P&D	production and development
bbl/d	barrels per day	PSU	performance share unit
boe	barrels of oil equivalent	DSU	deferred restricted share unit
boe/d	barrels of oil equivalent per day	RSU	restricted share unit
Mboe	thousands of barrels of oil equivalent	WTI	West Texas Intermediate
MMboe	millions of barrels of oil equivalent	USD	U.S. dollars
Mcf	thousand cubic feet	CAD	Canadian dollars
Mcf/d	thousand cubic feet per day	US	United States
mmbtu	million British Thermal Units	CDN	Canadian
GJ	gigajoule		
AECO	AECO “C” hub price index for Alberta natural gas		
CGU	cash-generating-unit		
DD&A	depreciation, depletion and amortization		
E&E	exploration and evaluation		
GAAP	generally accepted accounting principles		
G&A	general and administrative		

Financial and Operational Summary

	Three Months Ended March 31,	
<i>(\$000s except per unit amounts)</i>	2023	2022
Production Volumes		
Crude oil (bbl/d)	1,738	1,809
Heavy oil (bbl/d)	532	791
Natural gas (Mcf/d)	8,180	8,763
Natural gas liquids (bbl/d)	100	115
Total (boe/d)	3,733	4,175
% Liquids	63 %	65 %
Average Realized Prices		
Crude oil (\$/bbl)	87.29	116.73
Heavy oil (\$/bbl)	75.96	80.33
Natural gas (\$/Mcf)	3.06	4.83
Natural gas liquids (\$/bbl)	62.44	81.06
Total (\$/boe)	59.84	78.17
Operating Netback (\$/boe)¹		
Realized price	59.84	78.17
Royalties	(10.22)	(9.52)
Operating costs	(36.16)	(26.81)
Operating netback	13.46	41.84
Realized loss on derivatives	(1.77)	(14.78)
Operating netback, after realized loss on derivatives	11.69	27.06

First Quarter 2023 Financial & Operational Highlights

- Production averaged 3,733 boe/d (63% liquids) in the quarter, which was 11% or 442 boe/d lower than Q1 2022, primarily due to capital constraints, shut-in production and natural declines.
- Operating netback¹ for Q1 2023 was \$4.5 million (\$13.46/boe) before the impact of realized losses on derivatives, and \$3.9 million (\$11.69/boe) after realized losses on derivatives, a 71% and 61% decrease, respectively, relative to Q1 2022. Q1 2023 operating expense was \$36.16 boe/d, an increase of \$9.35 boe/d from Q1 2022 driven by lower production and increases in electricity costs and property and production taxes.
- Net income totaled \$7.9 million in Q1 2023, a \$9.8 million improvement compared to Q1 2022. The increase was primarily driven by non-cash gains recognized as a result of the Recapitalization transaction agreed to in Q1 2023 as compared to Q1 2022.
- Adjusted funds flow ("AFF")¹ excluding \$0.5 million of decommissioning settlements, totaled \$(1.7) million (\$(0.04) per basic and diluted share) in Q1 2023, a 124% decrease from the same quarter of 2022, primarily the result of lower commodity prices.

¹ Operating netback, AFF, working capital (deficit), net debt and net capital expenditures are non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

Results of Operations

Production

	Three Months Ended March 31,	
	2023	2022
Crude oil (bbl/d)	1,738	1,809
Heavy oil (bbl/d)	532	791
Natural gas (Mcf/d)	8,180	8,763
Natural gas liquids (bbls/d)	100	115
Total (boe/d)	3,733	4,175
Liquids Weighting	63 %	65 %

Average production for the three months ended March 31, 2023 was 3,733 boe/d (63% liquids), a decrease of 11%, compared to the same period in 2022. The decrease was primarily driven by minimal capital activity, shut-in production and natural declines.

Revenue

	Three Months Ended March 31,	
<i>(\$000s, except per unit amounts)</i>	2023	2022
Revenue		
Crude oil	13,654	19,005
Heavy oil	3,637	5,719
Natural gas	2,252	3,809
Natural gas liquids	562	839
Oil and natural gas revenue	20,105	29,372
Average Realized Prices		
Crude oil (\$/bbl)	87.29	116.73
Heavy oil (\$/bbl)	75.96	80.33
Natural gas (\$/Mcf)	3.06	4.83
Natural gas liquids (\$/bbl)	62.44	81.06
Total (\$/boe)	59.84	78.17
Benchmark Prices		
Crude oil - WTI (\$/bbl)	102.89	119.50
Crude oil - Edmonton Light Sweet (\$/bbl)	99.04	115.58
Crude oil - WCS (\$/bbl)	69.33	101.02
Natural gas - AECO monthly index-7A (\$/Mcf)	4.35	4.58
Natural gas - AECO daily index - 5A (\$/Mcf)	3.23	4.74
Exchange rate - US\$/CDN\$	0.74	0.79

PPR's first quarter 2023 revenue decreased by 32% or \$9.3 million from the first quarter of 2022, principally due to a decrease in realized crude oil and natural gas prices. Light & medium crude oil revenue for the first quarter of 2023 decreased by 28%, compared to the corresponding period in 2022, primarily due to realized light & medium crude oil prices decreasing 25%, and a 4% decrease in light & medium crude oil production volumes. Heavy crude oil revenue decreased by 36% in the first quarter of 2023 compared to the first quarter of 2022 due to an decrease in heavy oil production volumes of 33%, coupled with a decrease in heavy oil realized prices of 5%. PPR's product prices generally correlate to changes in the benchmark prices. The average WTI price indecreased by 14% or \$16.61/bbl from the first quarter of 2022. However, Canadian oil differentials have shifted as compared to the first quarter of last year. In the first quarter of 2023, the WCS to WTI differential widened to \$33.56/bbl (Q1 2022 - \$18.48/bbl), and the Edmonton Light Sweet to WTI differential narrowed to \$3.85/bbl (Q1 2022 - \$3.92/bbl). First quarter

2023 conventional natural gas revenue decreased by 41% or \$1.6 million, compared to the same quarter in 2022, reflecting a 37% decrease in realized natural gas prices and a 7% decrease in production volumes.

Average realized prices per boe for the first quarter of 2023 decreased by 23% or \$18.33/boe compared to the same period in 2022, correlating to decreases in the realized prices across all products.

Royalties

<i>(\$000s, except per boe)</i>	Three Months Ended March 31,	
	2023	2022
Royalties	3,432	3,577
Per boe	10.22	9.52
Percentage of revenue	17.1 %	12.2 %

The Company pays royalties to respective provincial governments and landowners in accordance with the established royalty regime. A large portion of PPR's royalties are paid to the Crown, which are based on various sliding scales that are dependent on incentives, production volumes and commodity prices.

First quarter 2023 royalties decreased by \$0.1 million compared to the corresponding period in 2022, primarily due to lower production volumes. Royalties per boe increased \$0.70 per boe as a result of a larger portion of the production mix coming from wells with higher productivity which are subject to higher royalty rates.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. In addition, PPR's credit facilities require the Company to maintain certain level of hedges on a rolling 24 month basis. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

<i>(\$000s)</i>	Three Months Ended March 31,	
	2023	2022
Realized loss on derivatives	(594)	(5,552)
Unrealized gain (loss) on derivatives	2,110	(10,118)
Total gain (loss) on derivatives	1,516	(15,670)
<i>Per boe</i>		
Realized loss on derivatives	(1.77)	(14.78)
Unrealized gain (loss) on derivatives	6.28	(26.92)
Total gain (loss) on derivatives	4.51	(41.70)

Realized losses and gains on derivative risk management contracts represent the cash settlements of outstanding contracts while unrealized gains and losses on derivative risk management contracts reflect changes in the mark-to-market positions of outstanding contracts in the current period. Both realized and unrealized gains and losses on derivative contracts vary based on fluctuations related to the specific terms of outstanding contracts in the related period including contract types, contract quantities and fluctuations in underlying commodity reference prices.

The unrealized gain on derivatives recognized for the three months ended March 31, 2023 was due to a change in commodity futures prices at March 31, 2023 relative to the underlying prices of the derivative contracts.

The Company's realized prices are exposed to fluctuations in the US dollar and Canadian dollar exchange rate, which serve as natural hedges to the US dollar denominated debt. Therefore, the Company has entered into commodity hedges predominantly in US dollars to maintain such economic hedges.

As at March 31, 2023, the Company held the following outstanding derivative contracts:

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/ bbl
Crude Oil Put Spread Options (No Ceiling)			
April 01, 2023 - June 30, 2023	US\$ WTI	1,050	\$40.00/50.00
July 01, 2023 - December 31, 2023	US\$ WTI	600	\$55.00/65.00
Crude Oil Three-way Collars			
July 01, 2023 - December 31, 2023	US\$ WTI	500	\$55.00/65.00/105.00

Remaining Term	Reference	Total Daily Volume (MMBtu)	Weighted Average Price/ MMBtu
Natural Gas Three-way Collars			
July 01, 2023 - December 31, 2023	US\$ NYMEX	1,700	\$2.25/2.75/4.65
July 01, 2023 - December 31, 2023	US\$ NYMEX	1,700	\$2.25/2.75/4.90
Natural Gas Collars			
April 01, 2023 - June 30, 2023	US\$ NYMEX	3,000	\$2.00/3.80

Derivative contract counterparties have entered into inter-creditor agreements with the Company's lender to eliminate cash margin requirements.

Operating Expenses

	Three Months Ended March 31,	
<i>(\$000s, except per boe)</i>	2023	2022
Lease operating expense	8,283	7,000
Transportation and processing	1,516	1,590
Production and property taxes	2,348	1,485
Total operating expenses	12,147	10,075
Per boe	36.16	26.81

During the three months ended March 31, 2023, lease operating expenses increased by 18% or \$1.3 million, from the same period in 2022, largely as a result of higher power, repairs and maintenance and remediation costs partially offset by decreases in workover activity.

Transportation and processing expenses for the three months ended March 31, 2023 decreased by 5% or \$0.1 million compared to the same period in 2022. The decrease is primarily due to lower production volumes and is an increase on a per boe basis as a higher portion of the Company's production was trucked further in the quarter ended March 31, 2023, compared to the prior year.

Production and property tax expenses for the three months ended March 31, 2023 increased \$0.9 million compared with the costs incurred in the same period in 2022. The increase is primarily related to increased production taxes and freehold mineral taxes.

On a per boe basis, total operating expense for the three months ended March 31, 2023 increased \$9.35 or 35% compared to the three months ended March 31, 2022.

Operating Netback¹

<i>(\$ per boe)</i>	Three Months Ended March 31,	
	2023	2022
Revenue	59.84	78.17
Royalties	(10.22)	(9.52)
Operating costs	(36.16)	(26.81)
Operating netback	13.46	41.84
Realized losses on derivatives	(1.77)	(14.78)
Operating netback, after realized losses on derivatives	11.69	27.06

PPR's operating netback after realized losses on derivatives was \$11.69/boe for the three months ended March 31, 2023, representing an decrease of \$15.37/boe compared with the same period in 2022. The decrease was a result of a decrease in realized pricing of \$18.33/boe, a \$0.70/boe increase in royalties and a \$9.35/boe increase in operating expenses, partially offset by a \$13.01/boe decrease in the realized losses on derivatives, compared to the corresponding three-month period in 2022.

General and Administrative Expenses ("G&A")

<i>(\$000s, except per boe)</i>	Three Months Ended March 31,	
	2023	2022
Gross cash G&A expenses	2,802	2,243
Gross share-based compensation expense	72	18
Less amounts capitalized	(19)	(282)
Net G&A expenses	2,855	1,979
Per boe	8.46	5.27

For the three months ended March 31, 2023, gross cash G&A increased by \$0.6 million or 24%, compared to the same period in 2022. The first quarter increase is largely due to one-time costs relating to the Company's ongoing recapitalization efforts partially offset by decreases in employee salary and benefit costs in the first quarter of 2023 as compared to the first quarter of 2022.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and the timing and quantity of forfeitures. Gross stock-based compensation increased by a nominal amount for the three months ended March 31, 2023

¹ Operating netback is a non-IFRS measure and is defined below under "Other Advisories"

compared with the same period in 2022. There were no new grants issued under the Company's share-based compensation program during the three months ended March 31, 2023.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. The \$0.3 million decrease in the first quarter of 2023 compared to the first quarter of 2022 is a result of reduced capital activity.

Finance Costs

(\$000s, except per boe)	Three Months Ended March 31,	
	2023	2022
Cash interest expense	2,806	1,261
Deferred interest expense	1,586	535
Non-cash interest on debt modification and warrant liabilities	833	1,536
Amortization of financing costs	34	49
Non-cash interest on lease liabilities	11	64
Accretion – decommissioning liabilities	812	604
Accretion – other liabilities	1	3
Total finance cost	6,083	4,052
Interest Expense (defined below) per boe	13.07	4.78
Non-cash interest and accretion expense per boe	5.03	6.00

Deferred interest expense is interest expense which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance to the underlying borrowing agreements. Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. The increase in Interest Expense of \$2.6 million for the three months ended March 31, 2023, compared to the same period in 2022 related to the increase in all borrowing rates and an interest holiday on a portion of its Senior Notes which increased to 4% starting in March 2022 and then to 8% in August 2022.

The weighted average effective interest rate for the three months ended March 31, 2023, was 8.5% (2022 – 5.2%) and excludes non-cash interest on debt, amortization of financing costs, non-cash interest on financing leases and accretion expense.

Accretion – decommissioning liabilities increased by \$0.2 million during the three months ended March 31, 2023, compared to the same period in 2022, due to an increase in the risk-free discount rate.

Gain on Foreign Exchange

(\$000s)	Three Months Ended March 31,	
	2023	2022
Realized loss on foreign exchange	15	3
Unrealized gain on foreign exchange	(77)	(1,093)
Gain on foreign exchange	(62)	(1,090)

Foreign exchange (gains) losses incurred in the three months ended March 31, 2023 and March 31, 2022, related largely to the translation impact on US dollar denominated borrowings (see "Capital Resources and Liquidity" section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended March 31,	
<i>(\$000s, except per boe)</i>	2023	2022
Exploration and evaluation expense	28	178
Per boe	0.08	0.47

E&E expenses are comprised of undeveloped land expiries and surrendered leases.

Depletion and Depreciation

	Three Months Ended March 31,	
<i>(\$000s, except per boe)</i>	2023	2022
Depletion and depreciation	4,508	5,479
Depreciation on right-of-use assets	316	455
Total depletion expense	4,824	5,934
Per boe	14.36	15.79

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. Depletion expenses are calculated using depletion rates and production volumes applicable to each depletable unit. The decrease in depletion expense in the three months ended March 31, 2023, compared to the same period of 2022 reflects shifts in production to areas with lower depletion rates.

Impairment Reversal

Total P&D impairment reversal	—	(15,000)
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PPR assessed and concluded that there were no indicators of impairment or impairment reversal against its P&D and E&E assets as at March 31, 2023.

As at March 31, 2022, the significant increase in forecast benchmark commodity prices since the last impairment test at June 30, 2021 was identified as an indicator of impairment reversal for the Company's Evi cash generating unit ("CGU"). PPR conducted a test for impairment reversal for the Evi CGU, resulting in the recognition of \$15.0 million of impairment reversal in net income.

Net Income (Loss)

	Three Months Ended March 31,	
<i>(\$000s except per share)</i>	2023	2022
Net income (loss)	7,853	(1,897)
Per share – basic	0.06	(0.01)
Per share – diluted	0.06	(0.01)

Net income for the first quarter of 2023 was \$7.9 million, compared to a net loss of \$1.9 million in the same quarter of 2022. The decrease in net loss of \$9.8 million was driven by non-cash gains recognized as part of the Recapitalization announced March 29, 2023.

Net Capital Expenditures^{1,2}

(\$000s)	Three Months Ended March 31,	
	2023	2022
Drilling and completion	—	6,004
Equipment, facilities and pipelines	198	1,067
Land and seismic	28	128
Capitalized overhead and other	—	260
Total capital expenditures	226	7,459
Asset dispositions (net of acquisitions)	(178)	(20)
Net capital expenditures	48	7,439

¹ Net capital expenditures include expenditures on E&E assets.

² Net capital expenditures are non-IFRS measures and are defined below under “Other Advisories”

Capital expenditures prior to acquisitions or dispositions for the three months ended March 31, 2023, were \$0.2 million as the Company focused on refinancing its debt.

In the first quarter of 2022, capital expenditures prior to acquisitions or dispositions were \$7.5 million. The Company focused its capital activities on the Michichi area where it incurred \$6.1 million to drill, complete, equip and tie-in two gross (2.0 net) development Banff formation wells.

Decommissioning Liabilities

PPR’s decommissioning liabilities at March 31, 2023 were \$114.4 million (December 31, 2022 - \$114.2 million) to provide for future remediation, abandonment and reclamation of PPR’s oil and gas properties. The increase of \$0.2 million from year-end 2022 was due to \$0.8 million of accretion, offset by settlements of decommissioning obligations of \$0.6 million.

Changes in estimates result in a corresponding increase or decrease in the carrying amount of the related assets except for certain assets with a zero carrying value, in which case, the amount is immediately recognized in the income statement.

The Company estimated the undiscounted and inflation-adjusted future liabilities to be approximately \$253.9 million (December 31, 2022 - \$254.6 million) spanning over the next 55 years, based on an inflation rate of 1.8% (December 31, 2022 - 1.8%). Of the estimated undiscounted future liabilities, \$27.5 million is estimated to be settled over the next five years. Funding received from under the government sponsored Site Rehabilitation Program may increase estimated settlements over the next five years. While the provision for decommissioning liabilities is based on management’s best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At March 31, 2023, the Company had a working capital deficit (as defined in “Other Advisories” below) of \$10.4 million (December 31, 2022 – \$11.1 million). The decrease in working capital deficit from December 31, 2022 resulted from a decrease in expenditures related to capital activity during the quarter and decreases in accounts payables for derivative settlements related to decreased commodity prices at the end of the first quarter as compared to the end of the prior year, partially offset by decreased accrued revenue, also related to commodity price decreases.

Revolving Facility

On March 29, 2023, PPR and the Revolving Facility lenders agreed to amend the maturity date to July 1, 2024 (December 31, 2022 - December 31, 2023). There is a requirement for the Company to complete an equity offering for minimum gross proceeds of \$4.0 million prior to May 31, 2023; failure to do so would qualify as an event of default under the credit facility. The next scheduled borrowing base re-determination is scheduled for Spring 2024 based on the December 31, 2023 reserves evaluation, without limiting the lenders' right to require a redetermination at any time. No additional draws on the facility are permitted without consent of the lenders, in their sole discretion.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of PPR's oil and natural gas properties in accordance with the lenders' customary practices for oil and gas loans. If a borrowing base deficiency exists because of a re-determination, the lender is required to notify the Company of such shortfall. The Company may repay the shortfall amount by either making one installment within 90 days or six equal consecutive monthly installments beginning within 30 days after the Company's receipt of the borrowing base deficiency notice.

The following table provides a breakdown of borrowings drawn against the Revolving Facility:

(\$000s)	March 31, 2023	December 31, 2022
USD Advances (USD \$19.0 million (December 31, 2022 - USD \$19.0 million)) ¹	25,714	25,735
CAD Advances (USD \$30.0 million (December 31, 2022 - USD \$30.0 million)) ²	40,530	40,530
CAD Deferred Interest (USD \$0.4 million (December 31, 2022 - USD \$0.4 million)) ²	541	541
Revolving Facility (USD \$49.4 million (December 31, 2022 - USD \$49.4 million))	66,785	66,806

¹ Converted using the month end exchange rate of \$1.00 USD to \$1.35 CAD as at March 31, 2023 and \$1.00 USD to \$1.35 CAD as at December 31, 2022.

² Converted using the exchange rate at the time of borrowing of \$1.00 USD to \$1.35 CAD.

The change in borrowings from year-end 2022 were due to changes in exchange rates.

Amounts borrowed under the Revolving Facility bear interest based on reference bank lending rates in effect from time to time, plus an applicable margin. Applicable margins per annum are 950 basis points and standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

Borrowings under the Revolving Facility are repayable at the Company's election at par plus accrued interest and any applicable breakage costs. Repayments generally will not affect the aggregate commitment or borrowing base under the Revolving Facility, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The Revolving Facility is denominated in USD, but accommodates CAD advances up to \$41.1 million. All notes were issued at par by PPR Canada and are guaranteed by Prairie Provident Resources Inc. and certain of its other subsidiaries and secured by a US\$200 million debenture.

As at March 31, 2023 and December 31, 2022, PPR had outstanding letters of credit of \$4.1 million. The letters of credit are issued by a financial institution at which PPR posted a cash deposit to cover letters of credit. The related deposit is classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

Subordinated Senior Notes

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization" - see Note 8 (d) of the December 31, 2022 financial statements). Under the Recapitalization, Senior Note amounts outstanding and associated warrants will be converted to equity upon the completion of an equity offering for a minimum of \$4.0 million by May 31, 2023. Should the Company fail to complete the equity offering it would be in breach of its lending agreements. The Recapitalization has been accounted for as an extinguishment and as such, the previously recorded liabilities were derecognized and the modified liability was recorded at the fair value as at March 29th, 2023. As a result of the extinguishment the Company recognized a gain of \$10.3 million. The gain is net of \$1.4 million of financing costs. The fair value of the Senior Notes was determined based on a probability weighted approach, factoring in the estimated likelihood of the debt being converted and the price at which it would be converted, in several different scenarios. These included completion of the Recapitalization as announced and alternative scenarios with different conversion parameters or a default by the Company on its obligation to

complete an equity raise for at least \$4.0 million by May 31, 2023. At March 31, 2023 the Company recalculated the fair value and a gain of \$3.1 million was recognized.

Interest on the Senior Notes due 2024 (originally issued October 31, 2017 and November 21, 2018) was nil from Jan 2022 to March 2022, when it rose to 4% and then to 8% in August 2022. Interest on the Senior Notes due 2026 (originally issued December 21, 2020) is 12% per annum. Interest on the notes is payable quarterly, the Senior Note agreements provide that so long as any indebtedness remains outstanding under the Revolving Facility, PPR may elect to defer all interest due on the Senior Notes. The terms of the Revolving Facility require that the Company make this election. PPR will thereafter be permitted to elect to defer up to 4.00% per annum of interest on the Senior Notes.

The following table provides a breakdown of Senior Notes at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate as at the respective dates presented of \$1.00 USD to \$1.35 CAD as at March 31, 2023 and December 31, 2022.

(\$000s)	March 31, 2023	December 31, 2022
Senior Notes Issued October 31, 2017 (Principal - US\$16.0 million (December 31, 2022 - US\$16.0) Deferred Interest - US\$5.8 million (December 31, 2022 - US\$5.3))	19,863	28,911
Senior Notes Issued October 31, 2017 (Principal - US\$16.0 million (December 31, 2022 - US\$16.0) Deferred Interest - US\$5.8 million (December 31, 2022 - US\$5.3))	14,837	21,429
Senior Notes Issued December 21, 2020 (Principal - US\$11.4 million (December 31, 2022 - US\$11.4) Deferred Interest - US\$3.5 (December 31, 2022 - US\$3.1))	12,775	19,604
Unamortized amounts - Senior Notes	—	(10,401)
Total Senior Notes	47,475	59,543

In conjunction with the issuance of the Senior Notes due 2026, the Company issued a total of 34,292,360 warrants with an exercise price of \$0.0192 per share for an eight-year term expiring on December 21, 2028. As part of the Recapitalization the warrants will be converted to equity if the Company completes a minimum equity raise of \$4.0 million by May 31, 2023.

The warrants are classified as financial liabilities due to a cashless exercise provision and are measured at fair value upon issuance and at each subsequent reporting period, with the changes in fair value recorded in the consolidated statement of income (loss). The fair value of these warrants is determined using the Black-Scholes option valuation model. The value of the warrant liability as at March 31, 2023, was \$2.1 million (December 31, 2022 - \$4.1 million).

Second Lien Notes

On March 30, 2023, the Company completed the Second Lien Financing of the Recapitalization and purchased US\$3.6 million of Second Lien Notes. The Second Lien Notes have a maturity of December 31, 2024 and bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1150 basis points. Interest on the Second Lien Notes must be paid in kind while the Revolving Facility is outstanding. The Note purchase agreement provides for a payment of a deferred compensation fee on the later of maturity or prepayment and the date on which the Revolver Facility is fully repaid in an amount of US\$2.9 million less actual interest and breakage costs incurred from the issue date, capped at an internal rate of return of 45% per annum.

The Second Lien Notes were initially recognized at a fair value which was lower than the face value of the notes. The fair value was calculated using the present value of expected future cash flows, discounted at 18.3%. The fair value measurement was non-recurring and the difference will be amortized over the term of the Notes.

The following table provides a breakdown of Second Lien Notes at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate as at the respective dates presented of \$1.00 USD to \$1.35 CAD as at March 31, 2023.

(\$000s)	March 31, 2023	December 31, 2022
Second Lien Notes Issued March 30, 2023	4,759	—

Covenants

The note purchase agreements for the Revolving Facility, the Senior Notes the Second Lien Notes and related parent and subsidiary guarantees contain various covenants on the part of the Company and its subsidiaries including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, capital expenditures, hedging activities, investments, dividends and mergers and acquisitions. In addition, capital expenditures and acquisitions are generally limited to consistency with the Company's annual development plan, as created and updated by the Company from time to time and approved by the lenders.

The agreements for the Revolving Facility, the Senior Notes and the Second Lien Notes include the same financial covenants.

No financial covenants applied for the quarter ended March 31, 2023. The applicable financial covenants thresholds apply from June 30, 2023 onward and compliance is dependent on a number of factors including the completion of a minimum \$4.0 million equity raise by May 31, 2023, the results of future operations, commodity pricing and costs incurred. Future thresholds for financial covenants vary by quarter and are as follows:

Financial Covenant	
Senior Leverage	Cannot exceed between 3.00 and 3.75 to 1.00
Asset Coverage	Cannot be less than between 0.65 and 0.90 to 1.00
Current Ratio	Cannot be less than 0.75 and 0.90 to 1.00

¹ Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness (defined herein) to EBITDAX (as defined below in "Other Advisories") for the four quarters most recently ended. Senior adjusted indebtedness is defined as Adjusted Indebtedness (defined herein) less subordinated borrowings. Adjusted Indebtedness is defined as borrowings less outstanding letters of credit for which PPR has issued cash collateral.

² Under the debt agreements, the Asset Coverage ratio is the ratio of the net present value of estimated future net revenue from proved reserves (discounted at 10% per annum) adjusted for hedging transactions to Adjusted Indebtedness.

³ Under the debt agreements, the current ratio is the ratio of consolidated current assets, plus any undrawn capacity under the Revolving Facility, to consolidated current liabilities at the end of any fiscal quarter. Under the agreements, current assets exclude derivative assets while current liabilities exclude the current portion of long-term debt, lease liabilities, decommissioning obligations, derivative liabilities and non-cash liabilities.

Shareholders' Equity

At March 31, 2023, PPR had consolidated share capital of \$101.5 million (December 31, 2022 – \$101.5 million) and had 130.1 million (December 31, 2022– 130.1 million) outstanding common shares. The Company had 34.3 million warrants outstanding as at March 31, 2023 (December 31, 2022 – 34.3 million). The outstanding warrants were issued in conjunction with the modification and issuance of Senior Notes on December 21, 2020 and have an exercise price of \$0.0192 per share and an eight-year term expiring December 21, 2028 and will be converted in the Company completes a minimum \$4,0 million equity raise by May 31, 2023.

The Company did not grant any equity instruments to officers and employees during the first quarter of 2023. As at March 31, 2023, 2.4 million (December 31, 2022 – 2.8 million) options were outstanding with a weighted average strike price of \$0.33 per share, of which 0.8 million were exercisable at a weighted average strike price of \$0.12 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at March 31, 2023, 0.9 million (December 31, 2022 – 1.8 million) RSUs were outstanding. RSUs vest evenly over a three-year period. DSUs vest in their entirety on the grant date and will be settled when a director ceases to be a member of the board of directors. As at March 31, 2023, 1.0 million (December 31, 2022 – 1.0 million) DSUs were outstanding.

As of the date of this MD&A, there are 130.1 million common shares, 1.8 million RSUs, 2.8 million stock options, 1.0 million DSUs, and 34.3 million outstanding warrants.

Capital Management and Liquidity

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company addresses its liquidity risk through its capital management of cash, working capital, credit facility capacity and equity issuance along with its planned capital expenditure program. As outlined in Note 7, at March 31, 2023, the Company had nil borrowing capacity under the Revolving Facility.

On March 29, 2023, the Company negotiated a comprehensive debt restructuring with its lenders as further described in Note 8 to the annual financial statements. The amended debt agreements provide for extensions of certain of the Company's debt facilities and conversion of its Senior Notes to equity should the Company complete a minimum \$4.0 million equity raise by May 31, 2023 (subject to approval of the Toronto Stock Exchange). Failure to complete these steps in advance of May 31, 2023 would constitute an event of default under the revolving credit facility. In such case, the lenders have the right to demand immediate repayment of all amounts owed under both the revolving facility and the unsecured notes. Should an event of default occur, the Company does not have sufficient cash available to repay debt amounts.

As a result of the matters described above, along with recent operational results and a worsening commodity price outlook, there is material uncertainty that the Company will be able to meet its obligations including interest payments, capital spending and abandonment and remediation expenses with its internally generated cash flows. Please refer to Note 2(b) of the financial statements for further discussion.

PPR's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers its capital structure to include shareholders' equity, borrowing under its credit facilities and working capital.

Off Balance Sheet Transactions

There were no off-balance sheet transactions entered into during the period, nor are there any outstanding as of the date of this MD&A.

Contractual Obligations and Commitments

For the three months ended March 31, 2023, there was no material change to the Company's commitments or contractual obligations as disclosed in the Annual Financial Statements.

Supplemental Information

Financial – Quarterly extracted information

(\$000 except per unit amounts)	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Production Volumes								
Light & medium crude oil (bbl/d)	1,737	1,715	1,965	2,055	1,809	2,198	2,261	2,514
Heavy crude oil (bbl/d)	532	588	535	590	791	492	384	179
Conventional natural gas (Mcf/d)	8,180	8,014	8,857	8,987	8,763	9,246	8,986	9,122
Natural gas liquids (bbl/d)	100	114	120	126	115	138	131	140
Total (boe/d)	3,733	3,753	4,096	4,269	4,175	4,369	4,273	4,354
% Liquids	63 %	64 %	64 %	65 %	65 %	65 %	65 %	65 %
Financial								
Oil and natural gas revenue	20,105	24,642	28,439	38,145	29,372	25,064	22,133	20,259
Royalties	(3,432)	(5,301)	(5,333)	(6,187)	(3,577)	(3,346)	(2,708)	(2,324)
Unrealized gain (loss) on derivatives	2,110	5,139	8,200	4,061	(10,118)	3,990	(2,904)	(6,884)
Realized loss on derivatives	(594)	(4,305)	(6,355)	(9,296)	(5,552)	(3,947)	(2,276)	(2,257)
Revenue net of realized and unrealized gains (losses) on derivatives	18,189	20,175	24,951	26,723	10,125	21,761	14,245	8,794
Net earnings (loss)	7,843	(2,890)	(1,503)	3,888	(1,897)	7,851	(9,922)	23,995
Per share – basic	0.06	(0.02)	(0.01)	0.03	(0.01)	0.06	(0.08)	0.19
Per share – diluted	0.05	(0.02)	(0.01)	0.02	(0.01)	0.05	(0.08)	0.16
AFF ⁽¹⁾	(2,029)	(2,681)	(213)	7,887	4,815	1,718	4,344	4,153
Per share – basic	(0.02)	(0.02)	—	0.06	0.04	0.01	0.03	0.03
Per share – diluted	(0.02)	(0.02)	—	0.05	0.04	0.01	0.03	0.03
AFF excluding decommissioning settlements ⁽¹⁾	(1,499)	398	1,810	8,189	6,939	4,302	4,796	4,268
Per share – basic	(0.01)	—	0.01	0.06	0.05	0.03	0.04	0.03
Per share – diluted	(0.01)	—	0.01	0.05	0.05	0.03	0.04	0.03

¹ AFF and AFF excluding decommissioning settlements are non-GAAP measure and are defined below under "Non-GAAP and Other Financial Measures".

Over the past eight quarters, the Company's oil and natural gas revenue has fluctuated primarily due to changes in production and movement in commodity prices. The Company's production has varied due to its capital development and workover program at its core areas and natural declines. Movements in oil and natural gas revenue attributable to fluctuations in commodity prices were partially offset by realized gains/losses on derivatives. Significant swings in unrealized gains/losses on derivatives occurred due to fluctuations in forward prices at each period end.

First quarter 2023 oil and natural gas revenue decreased from the prior quarter largely due to lower average realized prices, this was partially offset by decreased realized hedge losses. Net income for the quarter was driven by the non-cash gain recognized on the extinguishment of financial liabilities arising from the Company's Recapitalization.

Fourth quarter 2022 oil and natural gas revenue decreased from the prior quarter due to lower production and realized prices per boe. The Company realized a net loss of \$2.9 million in the fourth quarter of 2022, largely as a result of a \$1.0 million (8.3%) increase in operating costs coupled with lower realized pricing and lower production volumes.

Third quarter 2022 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. The Company realized \$1.8 million of AFF (before decommissioning settlements of \$2.0 million) and a \$1.5 million net loss in the third quarter of 2022 largely due to costs remaining high while commodity prices decreased.

Second quarter 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe coupled with increased production volumes. The Company realized \$8.2 million in AFF (before decommissioning settlements of \$0.3 million) and \$3.9 million of net earnings in the second quarter of 2022 due to non-cash items including \$2.7 million of impairment reversal and \$4.1 million in unrealized gains on derivatives, partially offset by \$2.4 million of unrealized foreign exchange losses, \$4.2 million in non-cash finance costs and \$6.6 million of depletion and depreciation expense.

First quarter 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher average realized prices per boe, partially offset by decreased production volumes. Though the Company realized \$6.9 million of AFF (before decommissioning settlements of \$2.1 million), a net loss of \$1.9 million was recorded in the first quarter of 2022 due to non-cash items including, losses on derivatives of \$10.1 million, \$5.9 million of depletion and depreciation expense, \$2.3 million non-cash finance costs and \$4.8 million loss on warrant liabilities revaluation, partially offset by a \$1.1 million unrealized foreign exchange gain and impairment reversal of \$15.0 million.

Fourth quarter 2021 oil and natural gas revenue was the highest among the past eight quarters due to improved average realized prices per boe. Net earnings of \$7.9 million in the fourth quarter of 2021 were largely the result of non-cash items including impairment recovery of \$6.5 million related to changes in decommissioning liabilities of certain properties that had a zero carrying value, unrealized gains on derivatives of \$4.0 million, and a gain of \$3.5 million related to the debt refinancing in December 2021, partially offset by depletion and depreciation expense of \$6.0 million and non-cash financing costs of \$2.5 million. The Company realized \$4.3 million of AFF (excluding decommissioning settlements of \$2.6 million).

Third quarter 2021 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe. Though the Company realized \$4.8 million of AFF (before decommissioning settlements of \$0.5 million), a net loss of \$9.9 million was recorded in the third quarter of 2021 due to non-cash items including \$6.1 million of depletion and depreciation expense, \$2.9 million unrealized loss on derivatives, \$2.2 million of unrealized foreign exchange loss, \$2.2 million of non-cash finance costs, \$1.0 million of loss on warrant liability and \$0.7 million of impairment loss related to changes in decommissioning liabilities of certain properties that had zero carrying value.

Second quarter 2021 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe coupled with increased production volumes. The Company realized \$4.3 million of AFF (before decommissioning settlements of \$0.1 million) and \$24.0 million of net earnings in the second quarter of 2021 due to non-cash items including \$35.0 of impairment reversal related to P&D assets and \$1.1 million of unrealized foreign exchange gains, partially offset by a \$6.9 million unrealized loss on derivatives, a \$2.2 million non-cash finance costs and \$6.3 million of depletion and depreciation expense.

Internal Control Over Financial Reporting and Officer Certifications

Internal control over financial reporting (“ICFR”) is a process designed to provide reasonable assurance that all of the Company’s assets are safeguarded and transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable and timely information. Due to inherent limitations, ICFR may not prevent or detect all misstatements due to fraud or error.

The Company’s Interim Chief Executive Officer has maintained, designed, or caused to be designed under their supervision, internal control over financial reporting as defined in National Instrument 52-109. The control framework used by PPR’s officers to design and evaluate the Company’s ICFR is the Internal Control – Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on their evaluation, the Interim Chief Executive Officer has concluded that the Company’s ICFR was effective as of March 31, 2023. There have been no changes in the Company’s ICFR during the period from January 1, 2023 to March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Accounting Policies

Adoption of new standards January 1, 2023

IAS 1 – Disclosure of Accounting Policies

Effective January 1, 2023, the amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies, while providing guidance on how entities can identify material accounting policy information and examples of when accounting policy information is likely to be material. This did not have a material impact on the consolidated financial statements.

IAS 8 – Definition of Accounting Estimates

Effective January 1, 2023, the amendments distinguish how an entity should present and disclose different types of accounting changes in its financial statements and provides updated definitions to changes in accounting estimates to assist issuers in assessing between a change in accounting policy and a change in accounting estimate. This did not have a material impact on the consolidated financial statements.

IAS 12 – Income Taxes

Effective January 1, 2023, the amendments clarify that the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24 does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. This did not have a material impact on the consolidated financial statements.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other Canadian oil and gas operators and the business risks are very similar. Significant risks are summarized in the Annual MD&A and have remained unchanged during the first quarter of 2023. Additional risks are provided in the "Risk Factors" section of the 2022 Annual Information Form filed on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements and information in this MD&A may constitute forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements regarding the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "could," "believe," "anticipate," "intend," "plan," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements with respect to, among other things:

- estimates of the Company's oil and natural gas reserves;
- estimates of the Company's future oil, natural gas and NGL production, including estimates of any increases or decreases in the Company's production;
- estimates of future capital expenditures;
- estimates and judgements related to common share and warrants valuations;
- the Company's future financial condition and results of operations;
- the source of funding for the Company's activities, including development costs;
- the Company's future revenues, cash flows and expenses;
- the Company's access to capital and expectations with respect to liquidity and capital resources;
- the Company's future business strategy and other plans and objectives for future operations;
- the Company's future development opportunities and production mix;
- the Company's outlook on oil, natural gas and NGL prices;
- the anticipated benefits of merger and acquisitions, including prospective operating synergies, G&A cost savings, improved economies of scale, risk of drilling opportunities and marketplace liquidity;
- the anticipated timeframe for the closing of mergers and acquisitions;
- the amount, nature and timing of future capital expenditures, including future development costs;
- the Company's ability to access the capital markets to fund capital and other expenditures;
- the Company's expectations regarding the its's ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company's assessment of the it's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and

- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

PPR believes the expectations and forecasts reflected in the Company's forward-looking statements are reasonable, but PPR can give no assurance that they will prove to be correct. Readers are cautioned that these forward-looking statements can be affected by inaccurate assumptions and are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control, incident to the exploration for and development, production and sale of oil and natural gas. When considering forward-looking statements, you should keep in mind the assumptions, risk factors and other cautionary statements that include, among other things:

- the volatility of oil, natural gas and NGL prices, and the related differentials between realized prices and benchmark prices;
- a continuation of depressed natural gas prices;
- the availability of capital on economic terms to fund the Company's capital expenditures and potential acquisitions;
- the Company's ability to obtain adequate financing to pursue other business opportunities;
- the Company's ability to reach an agreement with counterparties to new financing arrangements on terms and conditions that are acceptable to the Company or at least as favorable to the Company than those of the existing credit facilities, or will improve PPR's liquidity profile;
- the Company's ability to generate sufficient cash flow from operations or obtain adequate financing to fund the Company's capital expenditures and meet working capital needs;
- the Company's ability to replace and sustain production;
- a lack of available drilling and production equipment, and related services and labor;
- increases in costs of drilling, completion and production equipment and related services and labor;
- unsuccessful exploration and development drilling activities;
- regulatory and environmental risks associated with exploration, drilling and production activities;
- declines in the value of the Company's oil and natural gas properties, resulting in impairments;
- the adverse effects of changes in applicable tax, environmental and other regulatory legislation;
- a deterioration in the demand for the Company's products;
- the risks and uncertainties inherent in estimating proved oil and natural gas reserves and in projecting future rates of production and the timing of expenditures;
- intense competition with companies with greater access to capital and staffing resources;
- the risks of conducting operations in Canada and the impact of pricing differentials, fluctuations in foreign currency exchange rates and political developments on the financial results of the Company's operations; and
- the uncertainty related to pending litigation against the Company.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, the Company's actual results and plans could differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A, and the Company undertakes no obligation to update this information to reflect events or circumstances after the delivery of this MD&A. All forward-looking statements, expressed or implied, included in this MD&A are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that the Company may make or persons acting on the Company's behalf may issue.

Other Advisories

Volumetric Conversion

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.

Throughout the MD&A, PPR has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where PPR sells its production volumes and therefore may 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 of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-GAAP and Other Financial Measures

PPR uses terms within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may not be comparable with the calculation of similar measurements used by other companies. Non-GAAP and other financial 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. Readers must not consider non-GAAP and other financial measures in isolation or as a substitute for analysis of the Company's financial results as reported under IFRS. Non-GAAP and other financial measures may include non-GAAP measures, non-GAAP ratios, capital management measures, supplementary measures and total of segment measures. The non-GAAP and other financial measures used in this report are summarized as follows:

Working Capital (Deficit)

Working capital (deficit) is a non-GAAP financial measure, calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities and corresponds with the terms defined under the Company's debt agreements for the calculation of the Current Ratio covenant (see "Capital Resources and Liquidity - Covenants" section above). In addition to measuring covenant compliance, this measure is used to assist management and investors in understanding liquidity at a specific point in time.

The following table provides a calculation of working capital (deficit):

<i>(\$000s)</i>	March 31, 2023	December 31, 2022
Current assets	24,243	25,593
Less: current derivative instrument assets	88	—
Current assets excluding current derivatives instruments	24,155	25,593
Less: Accounts payable and accrued liabilities	34,599	36,661
Working capital (deficit)	(10,444)	(11,068)

Operating Netback

Operating netback is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to evaluate operating performance. Operating netbacks included in this report were determined by taking oil and gas revenues less royalties and operating costs. Operating netback, after realized gains (losses) on derivatives, adjusts the operating netback for only realized portion of gains and losses on derivatives. Operating netback may be expressed in absolute dollar terms or on a per boe basis. Per boe amounts are determined by dividing the absolute value by working interest production. Operating netback per boe and operating netback, after realized gains (losses) on derivatives per boe are non-GAAP financial ratios.

The following table provides a calculation of operating netback:

	Three Months Ended March 31,	
(\$000s)	2023	2022
Oil and natural gas revenue	20,105	29,372
Royalties	(3,432)	(3,577)
Operating expenses	(12,147)	(10,075)
Operating netback	4,526	15,720
Realized losses on derivatives	(594)	(5,552)
Operating netback, after realized losses on derivatives	3,932	10,168

Adjusted Funds Flow ("AFF")

AFF is a non-GAAP financial measure calculated based on net cash from operating activities before changes in non-cash working capital, transaction costs, restructuring costs and other non-recurring items. The Company believes that AFF provides a useful measure of PPR's operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary. Management utilizes the measure to assess PPR's ability to finance capital expenditures and debt repayments. AFF 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. AFF per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share. AFF per share is a non-GAAP ratio.

The following table reconciles cash flow from operating activities to AFF and AFF excluding decommissioning settlements::

	Three Months Ended March 31,	
(\$000s)	2023	2022
Net cash from operating activities	(4,358)	2,469
Changes in non-cash working capital	1,977	1,122
Other	193	(35)
Transaction and restructuring costs	—	1,259
Adjusted funds flow ("AFF")	(2,188)	4,815
Decommissioning settlements	530	2,124
AFF - excluding decommissioning settlements	(1,658)	6,939

Bank Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Bank Adjusted EBITDAX, which is a capital management measure, as defined below. The ratio provides a measure of the Company's ability to manage its debt levels under current operating conditions. "Debt" refers to the Company's borrowings under its Revolving Facility and Senior Notes. "Bank Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period. As transaction costs related to business combinations are non-recurring costs, Bank Adjusted EBITDAX is calculated excluding transaction costs, as a meaningful measure of continuing net income. For purposes of calculating covenants under long-term debt, Bank Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters.

The following is a reconciliation of Bank Adjusted EBITDAX to the nearest IFRS measure, net loss before income tax:

(\$000s)	Three Months Ended March 31,	
	2023	2022
Net income (loss) before income tax	7,853	(1,897)
Add (deduct):		
Interest	5,270	3,331
Depletion and depreciation	4,508	5,479
Depreciation on right-of-use assets	316	455
Exploration and evaluation expense	28	178
Unrealized (gain) loss on derivatives	(2,110)	10,118
Impairment reversal	—	(15,000)
Accretion	813	423
Gain on foreign exchange	(62)	(1,090)
Change in other liabilities	144	43
Share – based compensation	72	15
Gain on sale of properties	—	(20)
(Gain) loss on warrant liability	(2,508)	4,801
Non-cash other income	(139)	(2,204)
Transaction and restructuring costs	—	1,259
Gain on extinguishment	(10,341)	—
Gain on fair value adjustment of Senior Notes	(3,117)	—
Bank Adjusted EBITDAX	1,148	7,690

Net Capital Expenditures

Net capital expenditures is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to assess PPR's investment in its existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment expenditures 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.

The following table provides a calculation of Net Capital Expenditures:

(\$000s)	Three Months Ended March 31,	
	2023	2022
Exploration and evaluation expenditures	—	128
Property and equipment expenditures	226	7,328
Capitalized stock-based compensation	—	3
Asset disposition (net of acquisition)	(178)	(20)
Net capital expenditures	48	7,439

Net Debt

Net debt is a non-IFRS measure, defined as borrowings under long-term debt including principal and deferred interest, plus working capital surplus or deficit. Net debt is a measure commonly used in the oil and gas industry for assessing the liquidity of a company.

The following table provides a calculation of net debt:

<i>(\$000s)</i>	March 31, 2023	December 31, 2022
Working capital (deficit) ¹	(10,444)	(11,068)
Borrowings outstanding (principal plus deferred interest)	(143,111)	(136,751)
Total net debt	(153,555)	(147,819)

¹ Working capital (deficit) is a non-IFRS measure and is defined above under "Other Advisories".