Prairie Provident Resources Inc.

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

Dated: April 2, 2024

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 and year ended December 31, 2023. This MD&A is dated April 2, 2024 and should be read in conjunction with the audited combined and consolidated financial statements of PPR as at and for the year ended December 31, 2023 (the "2023 Annual Financial Statements"). Additional information relating to PPR, including the Company's December 31, 2023 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

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-GAAP and other financial 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-GAAP and Other Financial 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
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
MMboe	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
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
P&D	production and development
PSU	performance share unit
DSU	deferred restricted share unit
RSU	restricted share unit
WTI	West Texas Intermediate
USD	U.S. dollars
CAD	Canadian dollars
US	United States
CDN	Canadian

Financial and Operational Summary

	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	**2023**	2022
Production Volumes				
Crude oil and condensate (bbl/d)	**2,049**	2,303	**2,190**	2,511
Natural gas (Mcf/d)	**7,374**	8,014	**7,579**	8,653
Natural gas liquids (bbl/d)	**135**	114	**105**	119
Total (boe/d)	**3,413**	3,753	**3,558**	4,072
% Liquids	**64 %**	64 %	**64 %**	65 %
Average Realized Prices				
Crude oil and condensate ($/bbl)	**87.12**	95.34	**88.50**	108.82
Natural gas ($/Mcf)	**2.10**	5.03	**2.55**	5.52
Natural gas liquids ($/bbl)	**43.08**	69.60	**53.05**	79.41
Total ($/boe)	**58.54**	71.37	**61.46**	81.14
Operating Netback ($/boe)[1]				
Realized price	**58.54**	71.37	**61.46**	81.14
Royalties	**(11.00)**	(15.35)	**(9.14)**	(13.72)
Operating costs	**(37.50)**	(37.08)	**(33.25)**	(30.88)
Operating netback	**10.03**	18.94	**19.07**	36.54
Realized losses on derivatives	**(0.96)**	(12.47)	**(0.72)**	(17.16)
Operating netback, after realized losses on derivatives	**9.07**	6.47	**18.35**	19.38

Financial & Operational Highlights

- Fourth quarter production averaged 3,413 boe/d, approximately 9% lower than fourth quarter 2022. Average annual production for 2023 was 3,558 boe/d (64% liquids), approximately 13% lower than average 2022 production. These decreases in production are a result of the natural declines of the assets, declined capital spending and decreased well servicing due to liquidity challenges.
- PPR significantly reduced its net debt from $147.8 million at December 31, 2022 to $80.6 million at December 31, 2023 through the completion of its recapitalization and debt to equity transaction which resulted in the extinguishment of the Senior Subordinated Notes. The settlement of the Senior Subordinated Notes additionally reduces the Company's exposure to foreign exchange risk as it has reduced the outstanding balance of US dollar denominated debt the Company holds.
- In October 2023 the Company announced the strategic asset dispositions of its Evi CGU and certain non-core Provost assets. These assets are recorded as assets held for sale as at December 31, 2023 and were subsequently sold in the first quarter of 2024.
- The Company remained active in its decommissioning program with $8.4 million spent on settlements during 2023.
- At December 31, 2023, the Company was in breach of its senior leverage ratio covenant along with certain non-financial covenants. PPR's US$41.1 million Senior Revolving Facility was fully drawn down with nil available borrowing capacity and US$4.8 milling outstanding relating to the Second Lien Note. As of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

1 Net debt is a non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

Results of Operations

Production

	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	**2023**	2022
Oil & condensate (bbl/d)	**2,049**	2,303	**2,190**	1,886
Natural gas (Mcf/d)	**7,374**	8,014	**7,579**	8,653
Natural gas liquids (bbl/d)	**135**	114	**105**	119
Total (boe/d)	**3,413**	3,753	**3,558**	4,072
Liquids Weighting	**64 %**	64 %	**64 %**	65 %

Average production for the three months and year ended December 31, 2023 was 3,413 boe/d (64% liquids) and 3,558 boe/d (64% liquids), a decrease of 9% and 13%, respectively, compared to the corresponding periods in 2022. Production decreases in 2023 are primarily attributable to minimal capital activity and natural declines of the assets.

Revenue

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per unit amounts)	**2023**	2022	**2023**	2022
Revenue				
Oil & condensate	**16,422**	20,200	**70,732**	99,730
Natural gas	**1,424**	3,712	**7,041**	17,419
Natural gas liquids	**536**	730	**2,029**	3,449
Oil and natural gas revenue	**18,382**	24,642	**79,802**	120,598
Average Realized Prices				
Oil & condensate ($/bbl)	**87.12**	95.34	**88.50**	108.82
Natural gas ($/Mcf)	**2.10**	5.03	**2.55**	5.52
Natural gas liquids ($/bbl)	**43.08**	69.60	**53.05**	79.41
Total ($/boe)	**58.54**	71.37	**61.46**	81.14
Benchmark Prices				
Crude oil - WTI ($/bbl)	**106.58**	111.45	**104.73**	122.18
Crude oil - Edmonton Light Sweet ($/bbl)	**97.55**	107.29	**97.55**	119.27
Crude oil - WCS ($/bbl)	**69.20**	76.55	**79.53**	98.21
Natural gas - AECO daily index - 5A ($/Mcf)	**2.30**	5.10	**2.64**	5.31
Exchange rate - US$/CDN$	**0.73**	0.74	**0.74**	0.77

PPR's fourth quarter 2023 revenue decreased by 25% or $6.3 million from the fourth quarter of 2022, primarily due to lower commodity pricing and lower production volumes. Oil & condensate revenue for the fourth quarter of 2023 decreased by 19% or $3.8 million, compared to the corresponding period in 2022, primarily due to an 11% decrease in crude oil & condensate production volumes and a 9% decrease in crude oil & condensate pricing.

Fourth quarter 2023 natural gas revenue decreased by 62% or $2.3 million compared to the same quarter in 2022, primarily attributable to a 58% decrease in realized natural gas prices and an 8% decrease in production volumes.

The Company's average realized price per boe for the fourth quarter of 2023 decreased by 18% or $12.83/boe compared to the same period in 2022, correlating to decreases in the underlying realized prices across all products. On a year-over-year basis, revenue decreased by 34% or $40.8 million primarily attributable to a 27% decrease in realized price per boe and a 13% decrease in production volumes.

Royalties

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Royalties	**3,455**	5,301	**11,868**	20,398
Per boe	**11.00**	15.35	**9.14**	13.72
Percentage of revenue	**18.8 %**	20.7 %	**14.9 %**	16.8 %

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.

Fourth quarter and year ended December 31, 2023 royalties decreased by $1.8 million and $8.5 million, respectively, compared to the corresponding periods in 2022 due to lower revenue in 2023 compared to 2022 as a result of lower pricing and production.

On a percentage of revenue basis, royalties for the three months and year ended December 31, 2023 decreased compared to the corresponding periods in 2022 due to lower average royalty rates linked to lower realized commodity prices.

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. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Realized loss on derivatives	**(302)**	(4,305)	**(931)**	(25,508)
Unrealized gain on derivatives	**126**	5,139	**1,606**	7,282
Total gain (loss) on derivatives	**(176)**	834	**675**	(18,226)
Per boe				
Realized loss on derivatives	**(0.96)**	(12.47)	**(0.72)**	(17.16)
Unrealized gain on derivatives	**0.40**	14.88	**1.24**	4.90
Total gain (loss) on derivatives	**(0.56)**	2.42	**0.52**	(12.26)

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 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 and year ended December 31, 2023 is primarily related to losses becoming realized.

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

Remaining Term	Reference	Total Daily Volume (bbl)	Premium/ bbl	Weighted Average Price/ bbl
Crude Oil Put Spread Options (No Ceiling)				
January 01, 2024 - March 31, 2024	US$ WTI	1,000	3.95 [(1)]	$50.00/60.00

[1] Deferred premiums, payable upon settlement of the derivative contracts.

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

Operating Expenses

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Lease operating expense	**10,475**	11,046	**37,932**	38,838
Transportation and processing	**1,302**	1,758	**5,249**	7,050
Total operating expenses	**11,777**	12,804	**43,181**	45,888
Per boe	**37.50**	37.08	**33.25**	30.88

During the three months ended December 31, 2023, lease operating expenses decreased by 5% or $0.6 million compared to the same periods in 2022 primarily due to lower fuel and electricity costs and lower production volumes. Lease operating expenses for the year ended December 31, 2023 remained materially consistent with prior year.

Transportation and processing expenses for the three months and year ended December 31, 2023 decreased by 26% or $0.5 million and 26% or $1.8 million, respectively, compared to the same periods in 2022, primarily due to lower production.

On a per boe basis, total operating expense for the three months and year ended December 31, 2023 increased by 1% or $0.42/boe and 8% or $2.37/boe, respectively, compared to the same periods in 2022. In addition to the above mentioned factors, the increases also related to distributing fixed operating costs over lower production volumes.

Operating Netback[1]

	Three Months Ended December 31,		Years Ended December 31,	
($ per boe)	**2023**	2022	**2023**	2022
Revenue	**58.54**	71.37	**61.46**	81.14
Royalties	**(11.00)**	(15.35)	**(9.14)**	(13.72)
Operating expenses	**(37.50)**	(37.08)	**(33.25)**	(30.88)
Operating netback	**10.03**	18.94	**19.07**	36.54
Realized losses on derivatives	**(0.96)**	(12.47)	**(0.72)**	(17.16)
Operating netback, after realized losses on derivatives	**9.07**	6.47	**18.35**	19.38

[1] Operating Netback is a non-GAAP financial measures and is defined below under "Non-GAAP and Other Financial Measures".

PPR's operating netback after realized losses on derivatives were $9.07/boe and $18.35/boe for the three months and year ended December 31, 2023, respectively, representing an increase of $2.60/boe for the three month period compared to 2022 and a decrease of $1.03/boe for the year compared to 2022.
For the three months ended December 31, 2023, the increase in operating netback, after realized losses on derivatives, was primarily attributable to lower realized losses on derivatives as a result of a lower number of derivatives outstanding compared to the corresponding three-month period in 2022 and lower royalties in the fourth quarter of 2023, partially offset by an increase in operating expense per boe. The decrease for the year ended December 31, 2023 was primarily attributable to lower revenues and increased operating expenses, partially offset by realized losses on derivatives and lower royalties, partially offset by lower revenues and increased operating expenses compared to the same period of 2022.

The Company's operating netback for the three months and year ended December 31, 2023 decreased primarily as a result of lower production and lower realized prices during 2023 compared to the same periods in 2022.

General and Administrative Expenses ("G&A")

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Gross cash G&A expenses	**2,339**	1,943	**10,369**	8,237
Gross share-based compensation expense	**154**	315	**306**	519
Less amounts capitalized	**(64)**	(259)	**(188)**	(1,124)
Net G&A expenses	**2,429**	1,999	**10,487**	7,632
Per boe	**7.74**	5.79	**8.08**	5.13

For the three months ended December 31, 2023, gross cash G&A increased $0.4 million compared to the same period in 2022 primarily attributable to employee related costs. Gross cash G&A increased $2.1 million in the year ended December 31, 2023 compared to 2022 primarily due to higher professional fees and employee related costs.

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 timing and quantity of forfeitures. Gross stock-based compensation decreased by $0.2 million and $0.2 million for the three months and year ended December 31, 2023, respectively, compared with the same periods in 2022. During 2023 the Company granted 2.8 million options, 2.0 million RSUs and 2.5 million DSUs in the year under the Company's share-based compensation program.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. The decrease in Capitalized G&A in both the three months and year ended December 31, 2023 was a result of reduced capital activity while the Company focused on its cash management.

Finance Costs

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Cash interest expense	**2,431**	2,022	**10,362**	6,225
Deferred interest expense	**1,202**	1,561	**3,743**	4,272
Non-cash interest on debt modification and warrant liabilities	**21**	945	**1,386**	4,781
Amortization of financing costs	**—**	50	**34**	199
Non-cash interest on leases	**1**	23	**19**	169
Accretion – decommissioning liabilities	**845**	703	**3,320**	2,632
Accretion – other liabilities	**49**	2	**53**	9
Total finance cost	**4,549**	5,306	**18,917**	18,287
Interest expense per boe	**11.57**	10.38	**10.86**	7.06
Non-cash interest and accretion expense per boe	**2.92**	4.99	**3.71**	5.24

Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. 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. The increase in Interest Expense of $0.1 million and $3.6 million for the three months and year ended December 31, 2023, respectively, compared to the corresponding periods in 2022 was attributable to an increase in all borrowing rates on the Company's debt and the issuance of the Second Lien Notes in March 2023. This increase was partially offset by the extinguishment of the Senior Notes in May 2023.

The weighted average effective interest rates for the three months and year ended December 31, 2023 were 17.2% and 17.9% respectively (2022 – 8.5% and 6.8%, respectively). The increase in 2023 is attributable to an increase in all borrowing rates on the Company's debt compared to 2022.

Accretion on decommissioning liabilities increased by $0.1 million and $0.7 million during the three months and year ended December 31, 2023, respectively, compared to the same periods in 2022, due to higher risk-free discount rates applied during 2023.

(Gain) Loss on Foreign Exchange

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Realized (gain) loss on foreign exchange	**(135)**	(4,949)	**(102)**	239
Unrealized (gain) loss on foreign exchange	**(558)**	3,927	**(408)**	5,237
(Gain) loss on foreign exchange	**(693)**	(1,022)	**(510)**	5,476

Foreign exchange (gains) losses incurred in the three months and year ended December 31, 2023 related largely to the translation impact on US dollar denominated borrowings (see “Capital Resources and Liquidity” section below). The difference in the Company's unrealized gain on foreign exchange for year ended December 31, 2023 compared to the loss in same period of 2022 was primarily attributable to the extinguishment of the US dollar denominated senior notes in May 2023 as part of the Company's Recapitalization transaction.

Exploration and Evaluation ("E&E") Expense

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Exploration and evaluation expense	**378**	29	**406**	967
Per boe	**0.29**	0.08	**0.31**	0.65

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

Depletion and Depreciation

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Depletion and depreciation	**3,026**	4,483	**16,533**	21,535
Depreciation on right-of-use assets	**48**	449	**460**	1,851
Total depletion expense	**3,074**	4,932	**16,993**	23,386
Per boe	**9.79**	14.28	**13.09**	15.73

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. The decrease in the depletion expense during 2023 from 2022 is driven by lower production volumes and decreases in the depletable base of the Company's assets primarily due to the impairment losses recorded in the year and reductions in Company's ARO estimates.

Impairment Loss (Recovery)

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
E&E impairment	**—**	—	**—**	—
E&E impairment – decommissioning asset loss (recovery)	**3,906**	(317)	**3,906**	(531)
Total E&E impairment loss (recovery)	**3,906**	(317)	**3,906**	(531)
P&D impairment loss (recovery)	**1,013**	7,500	**15,484**	(7,500)
P&D impairment – decommissioning asset loss (recovery)	**1,165**	(6,330)	**(1,460)**	(8,787)
Total P&D impairment (recovery) loss	**2,178**	1,170	**14,024**	(16,287)
Impairment loss on assets held for sale	**3,008**	—	**3,008**	—
Total impairment loss (recovery)	**9,092**	853	**20,938**	(16,818)

During the three months and year ended December 31, 2023, the Company recognized non-cash impairment loss of $5.1 million and $2.4 million, respectively, related to changes in decommissioning liabilities of certain properties that had zero carrying value compared to impairment reversals of $6.6 million and $9.3 million, respectively, in the same periods in 2022.

For the year ended December 31, 2023, an impairment loss was recorded on the Company's non-core Provost and Other CGUs of $1.0 million to bring the carrying value of the CGUs to zero. This impairment was isolated to the Company's non-core CGUs and there were no indicators of impairment or impairment reversal on any of its other CGUs.

The Company classified its Evi CGU as assets held for sale following the announcement of the two strategic asset sales on October 30, 2023. The Evi CGU was recorded at the lesser of its fair value less costs of disposal and its carrying amount, resulting in an impairment loss of $3.0 million recorded to property, plant and equipment, bringing the total impairment recorded with respect to the Evi CGU in 2023 to $17.5 million.

Fourth quarter 2022 P&D impairment expense related to a P&D impairment of the Evi CGU of $7.5 million driven by decreased production in the area, offset by changes in decommissioning liabilities of certain properties that had zero carrying value. During the year ended December 31, 2022, the Company recorded a net impairment reversal of $7.5 million as a result of a $15.0 million impairment reversal of the Evi CGU recorded in March 2022 related to increased commodity pricing offset by the fourth quarter impairment mentioned above.

PPR assessed and concluded there were no indicators of impairment or impairment reversal for its E&E assets as at December 31, 2023 or 2022.

Net Loss

	Three Months Ended December 31,		Years Ended December 31,	
($000s except per share)	**2023**	2022	**2023**	2022
Net loss	**(16,484)**	(2,890)	**(20,119)**	(2,402)
Per share – basic	**(0.02)**	(0.02)	**(0.04)**	(0.02)
Per share – diluted	**(0.02)**	(0.02)	**(0.04)**	(0.02)

Net loss for the fourth quarter of 2023 was $16.5 million, compared to net loss of $2.9 million in the same quarter of 2022, primarily attributable to lower production and lower realized prices as well as impairment losses.

For the year ended December 31, 2023, net loss was $20.1 million compared to the net loss of $2.4 million in the same period of 2022. The $17.7 million increase in net loss was primarily due to lower revenues and the impairment losses recorded, partially offset by a net gain on derivative instruments, and gains on the extinguishment and revaluation of financial liabilities as part of the Company's Recapitalization which occurred in May 2023.

Net Capital Expenditures[1,2]

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Drilling and completion	**181**	348	**181**	10,705
Equipment, facilities and pipelines	**12**	501	**12**	6,949
Land and seismic	**493**	116	**493**	445
Capitalized overhead and other	**32**	247	**38**	1,132
Total capital expenditures	**718**	1,212	**724**	19,231
Asset dispositions (net of acquisitions)	**(44)**	(4)	**(669)**	(27)
Net capital expenditures	**674**	1,208	**55**	19,204

[1] Net capital expenditures include expenditures on E&E assets.
[2] Net capital expenditures are non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

Capital expenditures prior to acquisitions or dispositions for the three months and year ended December 31, 2023 were $0.7 million and $0.7 million, respectively. During 2023, minimum capital expenditures were incurred in comparison to the prior period as the Company focused on its Recapitalization transaction and managing its working capital. No wells were drilled in 2023.

Capital expenditures prior to acquisitions or dispositions for the three months and year ended December 31, 2022 were $1.2 million and $19.2 million, respectively. During 2022, the Company focused its capital activities on drilling one gross (1.0 net) well in the Princess area and two gross (2.0 net) wells in the Michichi area for $8.5 million and spending $8.2 million on facilities, reactivations and optimizations.

Assets Held for Sale

At October 31, 2023, the Company classified its Evi CGU and certain non-core Provost assets as assets held for sale following the announcement of the two strategic asset sales on October 30, 2023. Immediately prior to classification as held for sale an impairment loss of $3.0 million was recorded on the Company's Evi CGU to reduce its carrying amount to its fair value less costs of disposal. Subsequent to December 31, 2023, the Company closed both asset sales.

($000s)	**PP&E**	**E&E**	**Decommissioning liability**	**Other liabilities**
Assets (liabilities) held for sale	**50,058**	**373**	**(27,360)**	**(450)**

Decommissioning Liabilities

PPR’s decommissioning liabilities at December 31, 2023, excluding liabilities associated with assets held for sale, were $71.8 million (December 31, 2022 - $114.2 million) to provide for future remediation, abandonment and reclamation of PPR’s oil and gas properties. The decrease of $42.5 million from December 31, 2022 was primarily due to classifying $27.4 million to liabilities held for sale, settlements, including government grants, of $8.5 million and changes in estimates of $9.9 million, partially offset by $3.3 million of accretion recorded in 2023.

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, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities with assets held for sale, to be approximately $187.7 million (December 31, 2022 – $254.6 million). Liability payments are estimated over the next 55 years, based on an inflation rate of 1.8% (December 31, 2022 – 1.8%) and discounted at risk-free rates of 3.27% - 3.92% (December 31, 2022 - 2.77% - 2.93%). Of the estimated undiscounted future liabilities, $20.0 million is estimated to be settled over the next five years. The Company's Evi CGU and certain non-core Provost assets have been excluded as they have been classified as assets held for sale at October 31, 2023. 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.

Income Tax

As of December 31, 2023 and 2022, the Company did not recognize any deferred tax assets in excess of taxable temporary differences as there was insufficient evidence to indicate that it was probable that future taxable profits in excess of profits arising from the reversal of existing temporary difference would be generated to utilize the existing deferred tax assets.

Capital Resources and Liquidity

Capital Resources

Working Capital

At December 31, 2023, the Company had working capital deficit (as defined in "Other Advisories" below) of $8.0 million (December 31, 2022 – working capital deficit of $11.1 million). The decrease in working capital deficit from December 31, 2022 resulted from the Company's ability to reduce its accounts payable and accrued liabilities throughout the year, partially offset by a lower cash and accounts receivable balance attributable to lower revenues during the year ended December 31, 2023.

Revolving Facility

The Revolving Facility has a maturity date of July 1, 2024. 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. As at December 31, 2023, the Company had nil (2022 - nil) available borrowing capacity as the lender indicated no additional draws were possible. 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.

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. 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.

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

($000s)	December 31, 2023	December 31, 2022
USD Advances (US$19.0 million (December 31, 2022 - US$19.0 million))[1]	25,129	25,735
CAD Advances (US$30.0 million (December 31, 2022 - US$30.0 million))[2]	40,530	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2022 - US$0.4 million)[2]	543	541
Revolving Facility (US$49.4 million (December 31, 2022 - US$49.4 million))	66,202	66,806

[1] Converted using the month end exchange rate of $1.00 USD to $1.32 CAD as at December 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 foreign exchange rates.

As at December 31, 2023, PPR had outstanding letters of credit of $4.2 million (December 31, 2022 – $4.1 million). The letters of credit are issued by a financial institution at which PPR posted a cash deposits as collateral. The related deposits are 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.

As at December 31, 2023, there were no deferred costs related to the Revolving Facility netted against its carrying value (December 31, 2022 – $0.2 million).

Subordinated Senior Notes

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization"). Under the Recapitalization, Senior Note amounts outstanding and associated warrants were converted to equity.

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 29, 2023. As a result of the extinguishment, the Company recognized a gain of $9.8 million, net of $2.0 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 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. The Company elected to treat the Senior Notes instruments at fair value through profit and loss and was classified as level 3 in the fair value hierarchy (see Note 3(f) for information on the fair value level hierarchy).

Subsequent to the initial fair value measurement at March 29, 2023, the Company revalued the Senior Notes to the date of their conversion to equity on May 16, 2023, resulting in a gain of $10.0 million on revaluation, net of $0.4 million of financing costs. In exchange for settlement of the Senior Notes on May 16, 2023, 514.4 million common shares of the Company were issued based upon an agreed repayment price equal to $0.14 per common share.

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

($000s)	**December 31, 2023**	December 31, 2022
Senior Notes Issued October 31, 2017		
Principal (US$16.0 million (December 31, 2022 - US$16.0 million))	—	21,671
Deferred interest (US$5.8 million (December 31, 2022 - US$5.3 million))	—	7,241
Total Principal and Deferred Interest - October 31, 2017 Senior Notes	—	28,912
Senior Notes Issued November 21, 2018		
Principal (US$12.5 million (December 31, 2022 - US$12.5 million))	—	16,930
Deferred interest (US$3.6 million (December 31, 2022 - US$3.3 million))	—	4,499
Total Principal and Deferred Interest - November 21, 2018 Senior Notes	—	21,429
Senior Notes Issued December 21, 2020		
Principal (US$11.4 million (December 31, 2022 - US$11.4 million))	—	15,424
Deferred interest (US$3.5 million (December 31, 2022 - US$3.1 million))	—	4,180
Total Principal and Deferred Interest - December 21, 2020 Senior Notes	—	19,604
Total Principal and Deferred Interest - Senior Notes	—	69,945

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 were settled by conversion to equity upon the completion of the $4.0 million equity raise on May 16, 2023.

The warrants were previously classified as financial liabilities due to a cashless exercise provision and were 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 was determined using the Black-Scholes option valuation model. The value of the warrant liability as at December 31, 2023, was $nil (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. In addition to repayment of the principal balance on maturity, the Second Lien Note purchase agreement requires for a payment of deferred compensation of $1.3 million on the later of maturity or prepayment and the date on which the Revolver is full repaid. At December 31, 2023, the Company has recognized US$0.7 million of deferred compensation fee related to the Second Lien 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 $1.32 CAD as at December 31, 2023.

($000s)	December 31, 2023	December 31, 2022
Second Lien Notes		
Principal (US$3.6 million (December 31, 2022 - nil))	4,817	—
Deferred interest (US$0.5 million (December 31, 2022 - nil))	628	—
Deferred compensation (US$0.7 million (December 31, 2022 - nil))	98	—
Total Principal and Deferred Interest	6,429	—

Covenants

The note purchase agreement for the Revolving Facility, the Second Lien Notes agreement 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 and the Senior Notes include the same financial covenants, with less restrictive thresholds under the Senior Notes agreements.

The applicable financial covenants thresholds as at December 31, 2023 are as follows:

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement	As at December 31, 2023
Senior Leverage[1]	Cannot exceed 3.50 to 1.00	Cannot exceed 3.75 to 1.00	4.08
Asset Coverage[2]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.78 to 1.00	1.67 to 1.00

[1] Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness to EBITDAX for the four quarters most recently ended. Senior adjusted indebtedness is defined as Adjusted Indebtedness less subordinated borrowings. Adjusted Indebtedness is defined as borrowings less outstanding letters of credit for which PPR has issued cash collateral. 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.

[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 (as defined above).

The Company was in breach of its Senior Leverage as well as certain non-financial covenants as at December 31, 2023 and subsequently received a waiver from the lenders. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities, and the contractual maturity of all facilities has not changed as a result of these defaults. As of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with terms of the agreements in future periods.

During the third quarter of 2023, the Company amended certain debt covenants with the removal of the current ratio covenant and updating the Senior Leverage ratio covenant. The amended debt covenants for the Revolving Facility and the Second Lien Notes, respectively, are below:

- Senior leverage ratio cannot exceed:

- 3.50 to 1.00 and 3.75 to 1.00, respectively, for the fiscal quarter ending December 31, 2023,
- 3.00 to 1.00 and 3.25 to 1.00, respectively, for the fiscal quarters thereafter.

Shareholders' Equity

At December 31, 2023, PPR had consolidated share capital of $147.3 million (December 31, 2022 – $101.5 million) and had 715.6 million (December 31, 2022 – 130.1 million) outstanding common shares. The Company had 48.0 million warrants outstanding as at December 31, 2023 (December 31, 2022 – 34.3 million).

The table below provides information on our share-based compensation program including grants in the current year and balances outstanding as at the periods presented:

	Options[1]	RSUs	Deferred Share Units ("DSUs")
Units granted during the year ended December 31, 2023	**2,760,000**	**2,040,000**	**2,500,000**
Balance outstanding as at December 31, 2023	**4,456,894**	**2,071,667**	**3,465,134**
Balance outstanding as at December 31, 2022	2,758,523	947,401	965,134

[1] Outstanding options as at December 31, 2023 had a weighted average strike price of $0.13 per share, of which 0.8 million were exercisable at a weighted average strike price of $0.16 per share.

Options were granted to Management and Directors of the Company and vest evenly over a three-year period and expire five years after the grant date. RSUs are granted to Management and vest in three tranches, with the first and second tranches vesting on the first and second anniversary of the grant date, respectively. The third tranche vests on December 15th following the vesting of the second tranche. DSUs are granted to non-management directors of the Company and 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 of the date of this MD&A, there are 716.1 million common shares, 2.0 million RSUs, 3.9 million stock options, 3.0 million DSUs and 48.0 million warrants outstanding.

Capital Management and Liquidity

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.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As outlined in Capital Resources and Liquidity section of the MD&A, the Company had nil borrowing capacity under the Revolving Facility. In addition, the Revolving Facility and the Second Lien Notes are set to mature on July 1, 2024, and December 31, 2024, respectively.

On March 29, 2023, the Company negotiated a comprehensive debt restructuring with its lenders. The amended debt agreements provided for extensions of certain of the Company's debt facilities and conversion of its Senior Notes to equity. The Recapitalization was completed on May 16, 2023, ahead of its original May 31, 2023 deadline to avoid an event of default.

PPR monitors its capital structure using the ratio of Senior Leverage to trailing twelve months' Bank Adjusted EBITDAX (as defined in "Other Advisories" below). Senior Leverage to EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The Company's goal is to manage this ratio within the financial covenants imposed on it under its outstanding debt agreements. As at December 31, 2023, the Company was in breach of this financial covenant as well as certain non-financial covenants. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities, and the contractual maturity of all facilities has not changed as a result of these defaults. As of April 1, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

Given the current financial position of the Company and the breach of certain covenants at December 31, 2023, there is no certainty the Company will be able to meet its cash flow requirements as they fall due or meet its covenants under its lending long-term debt agreements in the future. The Company requires extensions of the maturity dates on both its Revolving Facility and Second Lien Notes prior to July 1, 2024, as well as deferrals of scheduled interest payments and relaxations of existing financial covenant requirements under its Revolving and Second Lien Notes based on the Company's current cash flow forecast for 2024. If the Company's Revolving Facility is not extended past July 1, 2024, the Company does not have the ability to repay the amounts due on maturity which would represent an event of default under both the Revolving Facility and Second Lien Notes. In such case, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

The next scheduled borrowing base re-determination for the Revolving Facility is Spring 2024 based on the December 31, 2023 reserves evaluation. The lenders have sole discretion on the determination of the borrowing base, which is based predominantly on the amount of the Company's proved developed producing oil and nature gas reserves. 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. In the event of such a shortfall, the Company may not have the funds available to repay the amount due.

Due to the matters described above, there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Please refer to Note 2(b) of the Annual Financial Statements for further discussion.

Contractual Obligations, Commitments and Contingencies

The Company has non-cancellable contractual obligations summarized as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
Debt (interest and principal)	79,934	—	—	—	—	—	79,934
Leases - variable	340	198	—	—	—	—	538
Firm transportation agreements	265	128	8	2	1	—	404
Other agreements	280	43	30	31	32	218	634
Total	80,819	369	38	33	33	218	81,510

Contractual obligations and commitments are outlined in Note 23 of the Annual Financial Statements. The table above excludes contractual obligations for lease payments which are recorded as lease liabilities (see Note 11 of the Annual Financial Statements).

In addition to contractual commitments, the Company has estimated future decommissioning liabilities of $187.7 million, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities associated with assets held for sale, on an undiscounted basis, inflated at 1.8%, of which $20.0 million is estimated to be incurred over the next five years.

Contingencies

PPR is involved in litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on the Company's results of operations or cash flows.

Subsequent Event

Property dispositions

Subsequent to year-end, the Company completed two property dispositions resulting in net cash proceeds of $24.2 million. Of the proceeds received, $20 million (US$14.7 million) was used to reduce advances under the Revolving Facility, with remainder used to increase its 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.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Production Volumes								
Crude oil (bbl/d)	2,049	2,155	2,292	2,269	2,303	2,500	2,645	2,600
Natural gas (Mcf/d)	7,374	7,685	7,518	8,180	8,014	8,857	8,987	8,763
Natural gas liquids (bbl/d)	135	88	97	100	114	120	126	115
Total (boe/d)	3,413	3,523	3,641	3,733	3,753	4,096	4,269	4,175
% Liquids	64 %	64 %	66 %	63 %	64 %	64 %	65 %	65 %
Financial								
Oil and natural gas revenue	18,382	21,701	19,615	20,105	24,642	28,439	38,145	29,372
Royalties	(3,455)	(3,217)	(1,764)	(3,432)	(5,301)	(5,333)	(6,187)	(3,577)
Unrealized (loss) gain on derivatives	126	(551)	(80)	2,110	5,139	8,200	4,061	(10,118)
Realized (loss) gain on derivatives	(302)	(320)	285	(594)	(4,305)	(6,355)	(9,296)	(5,552)
Revenue net of realized and unrealized (loss) gain on derivatives	14,751	17,613	18,056	18,189	20,175	24,951	26,723	10,125
Net earnings (loss)	(16,484)	(2,690)	(8,798)	7,853	(2,890)	(1,503)	3,888	(1,897)
Per share – basic	(0.02)	—	(0.02)	0.06	(0.02)	(0.01)	0.03	(0.01)
Per share – diluted	(0.02)	—	(0.02)	0.05	(0.02)	(0.01)	0.02	(0.01)
AFF [(1)]	(1,122)	83	(229)	(2,188)	(2,681)	(213)	7,887	4,815
Per share – basic	—	—	—	(0.02)	(0.02)	—	0.06	0.04
Per share – diluted	—	—	—	(0.02)	(0.02)	—	0.05	0.04
AFF - excluding decommissioning settlements [(1)]	630	4,604	1,332	(1,658)	398	1,810	8,189	6,939
Per share – basic	—	0.01	—	(0.01)	—	0.01	0.06	0.05
Per share – diluted	—	0.01	—	(0.01)	—	0.01	0.05	0.05

[1] AFF is a non-GAAP measure and is 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 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.

Fourth quarter 2023 oil and natural gas revenue decreased from the prior quarter due to lower realized prices per boe and lower production. The Company realized a net loss of $16.5 million in the fourth quarter of 2023, largely as a result of lower realized pricing and production volumes as well as impairment losses recorded related to changes in decommissioning liabilities of certain properties that had zero carrying value and on the Evi CGU which was impaired upon classification as assets held for sale.

Third quarter 2023 oil and natural gas revenue increased from the prior quarter due to higher average realized prices partially offset by lower production volumes in the period. Net income was reduced by higher realized and unrealized derivative losses in the quarter due to the position of the Company’s hedges compared to market pricing.

Second quarter 2023 oil and natural gas revenue decreased from the prior quarter largely due to lower average realized prices, this was partially offset by realized hedge gains. Net loss for the quarter was driven by decreased revenue, impairment expense, and other non-cash items recognized as part of the Recapitalization announced March 29, 2023.

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.

Annual Selected Financial and Operational Information

($000s except per unit amounts)	2023	2022	2021
Financial			
Oil and natural gas revenue	79,802	120,598	84,423
Net earnings (loss)	(20,119)	(2,402)	10,418
Per share - basic	(0.04)	(0.02)	0.08
Per share - diluted	(0.04)	(0.02)	0.06
AFF[1]	(3,456)	10,021	12,194
Per share - basic	(0.01)	0.08	0.09
Per share - diluted	(0.01)	0.06	0.07
AFF - excluding decommissioning settlements[1]	4,906	15,526	15,470
Per share - basic & diluted	0.01	0.12	0.11
Per share - diluted	0.01	0.09	0.09
Net capital expenditures[1]	55	19,204	14,706
Total assets	167,334	223,130	232,963
Total liabilities	210,224	292,243	299,523
Long-term debt (including current portion)	72,631	126,350	109,355
Weighted average shares outstanding			
Basic	497,283	129,295	136,944
Diluted	497,283	129,295	165,529
Operating			
Production Volumes			
Oil & condensate (bbls/d)	2,190	2,511	2,649
Natural gas (Mcf/d)	7,579	8,653	8,900
Natural gas liquids (bbls/d)	105	119	135
Total (boe/d)	3,558	4,072	4,268
% Liquids	64 %	65 %	65 %
Average Realized Prices			
Oil & condensate ($/bbl)	88.50	108.82	71.86
Natural gas ($/Mcf)	2.55	5.52	3.73
Natural gas liquids ($/bbl)	53.05	79.41	57.25
Total ($/boe)	61.46	81.14	54.19
Operating Netback ($/boe)[1]			
Realized price	61.46	81.14	54.19
Royalties	(9.14)	(13.72)	(6.16)
Operating costs	(33.25)	(30.88)	(25.16)
Operating netback	19.07	36.54	22.87
Realized gains (losses) on derivative instruments	(0.72)	(17.16)	(6.13)
Operating netback, after realized (losses) gains on derivative instruments	18.35	19.38	16.74

[1] AFF, net capital expenditures and operating netback are non-GAAP measures and are defined below under "Non-GAAP and Other Financial Measures".

Revenue decreased during 2023 primarily due to decreases in benchmark prices and decreases in production of 514 boe/d or 13% from 2022 due to natural decline and limited capital activity while the Company focused on its recapitalization efforts. Revenue increased during 2022 primarily due to substantial increases in benchmark prices, partially offset by a decrease in production of 196 boe/d or 5% from 2021 due to natural declines, partially offset by the 2022 drilling program.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") seek to ensure that information to be disclosed by Prairie Provident is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have maintained, designed, or caused to be designed under their supervision, disclosure controls and procedures, as defined by National Instrument 52-109 Certification, to provide reasonable assurance that (i) material information relating to the Company is made known to the Company's Chief Executive Officer by others, particularly during the period in which the annual and interim filings are prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. As at December 31, 2023, the Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's DC&P. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's DC&P were effective as at December 31, 2023. All control systems by their nature can only provide reasonable, but not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting

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 Chief Executive Officer and Chief Financial Officer have 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 December 31, 2023. There have been no changes in the Company's ICFR during the period from January 1, 2023 to December 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

IAS 1 – Disclosure of Accounting Policies

This amendment requires an entity to disclose material accounting policy information instead of significant accounting policies based on the nature of the information, even if the related amounts are immaterial.

IAS 8 – Definition of Accounting Estimates

This amendment distinguished 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.

IAS 12 – Income Taxes

The amendment changes the deferred tax initial recognitions exemption, which 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.

The Company completed its assessment of the impact of the amendments and concluded that they have an impact on PPR's disclosure of accounting policies and estimates, but not on the measurement, recognition or presentation or any items within the consolidated financial statements.

Refer to Note 4 of the Annual Financial Statements for a discussion of future accounting standard amendments.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

- PPR's oil and gas assets are grouped into cash generating units ("CGUs"). A CGU is the lowest level of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, geological formation, geographical proximity, the existence of common sales points and shared infrastructures and the way in which management monitors its operations. The recoverability of PPR's oil and gas assets is assessed at the CGU level, and therefore, the determination of a costs could have a significant impact on impairment losses or impairment reversals;

- Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; (iii) the determination of net recoverable amount of oil and gas properties for impairment assessment and measurement, and (iv) the determination of reserve lives which affect the timing of decommissioning activities, all of which could have a material impact on earnings and financial positions;

- Recoverable amounts calculated for impairment testing are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rates as well as future development costs, royalties, and operating costs. These calculations require the use of estimates and assumptions, which by their nature, are subject to measurement uncertainty. In addition, judgment is exercised by management as to whether there have been indicators of impairment or of impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: market value of assets, asset performance, estimate of future prices, royalties and costs, estimated quantity of reserves and appropriate discount rates;

- Amounts recorded for decommissioning liabilities and the related accretion expense require the use of estimates with respect to the amount and timing of decommissioning expenditures, inflation rates and discount rates. Actual costs and cash outflows can differ from estimates because of changes in law and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow;

- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The Company is also subject to income tax audits and reassessments which may change its provision for income taxes. Therefore, the determination of income taxes is by nature complex, and requires making certain estimates and assumptions. PPR recognizes net deferred tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted;

- Management applies judgment in reviewing modifications of financial liabilities to determine if the modifications are considered substantial, including the consideration of qualitative and quantitative factors. The classification of a modification as non-substantial or substantial impacts the accounting treatment for the financial liability as to the implementation of modification accounting or extinguishment accounting and as such, may have material implications on the financial statements; and

- The Annual Financial Statements and MD&A have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities and commitments in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cash doubt upon the use of the going concern assumption.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other oil and gas operators and the business risks are very similar. Significant risks are summarized below. Additional risks are provided in the "Risk Factors" section of the 2023 Annual Information Form filed on SEDAR+ at www.sedarplus.ca.

Risks Associated with Commodity Prices

- PPR's operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for crude oil and natural gas production. Decreasing crude oil and natural gas prices and/or widening of oil price differentials will affect the Company's cash flows, impact its level of capital expenditures and may result in the shut-in of certain producing properties. Longer-term adverse forward pricing outlook could also result in write-down of the Company's carrying values of its oil and gas assets.

- The Revolving Facility has a reserves-based borrowing capacity. Decreases in future commodity prices may negatively impact the borrowing capacity and restrict PPR's liquidity and impact the Company's ability to meet the associated covenants.

- PPR may manage the risk associated with changes in commodity prices by entering into crude oil or natural gas price derivative contracts. If PPR engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, activities related to commodity derivative contracts could expose the Company to losses. To the extent that PPR engages in risk management activities related to commodity prices, it would be subject to the credit risks associated with the counterparties with which it contracts.

Risks Associated with Operations

- The markets for crude oil and natural gas produced in Western Canada are dependent upon available capacity to refine crude oil and process natural gas as well as pipeline or other methods to transport the products to consumers. Pipeline capacity and natural gas liquids fractionation capacity in Alberta have not kept pace with the drilling of liquids-rich gas properties in some areas of the province which may limit production periodically.

- Exploration and development activities may not yield anticipated production, and the associated cost outlay may not be recovered. In addition, the costs and expenses of drilling, completing and operating wells are often uncertain.

- Continuing production from a property is largely dependent upon the ability of the operator of that property. A portion of PPR's production is either operated by third parties or dependent on third-party infrastructure and PPR has limited ability to influence costs on partner-operated properties. To the extent the operator fails to perform their duties properly, PPR's operating income from such properties may be reduced.

- Exploration and development activities are dependent on the availability of drilling, completion and related equipment in the particular areas where the activities are conducted. Demand for limited equipment or access restrictions may negatively impact the availability of such equipment to PPR and delay exploration and development activities.

- The operations of oil and gas properties involves a number of operating and natural hazards which may result in health and safety incidents, environmental damage and other unexpected and/or dangerous conditions.

- The operations of oil and gas properties are subject to environmental regulation pursuant to local, provincial and federal legislation. Changes in these regulations could have a material adverse effect on operating and capital costs. A breach of such legislation may result in the imposition of fines as well as higher operating standards that may increase costs. Public support for climate change action has grown in recent years. Governments in Canada and globally have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation. Existing and future laws and regulations may impose significant compliance costs or liabilities on failure to comply with requirements. Additionally, the impact of climate change results in physical risks as extreme variability of weather patterns could result is the damage of physical assets, significant downtime or other operational disruptions.

- PPR's corporate environment, health and safety program has a number of specific policies and practices to minimize the risk of safety hazards and environmental incidents. It also includes an emergency response program should an incident occur. If areas of higher risk are identified, PPR will undertake to analyze and recommend changes to reduce the risk including replacement of specific infrastructure. In addition to the above, PPR maintains business interruption insurance, commercial general liability insurance as well as specific environmental liability insurance, in amounts consistent with industry standards. Although PPR carries industry standard property and liability insurance on its properties, losses associated with potential incidents could potentially exceed insurance coverage limits.

Risks Associated with Reserve Estimates

- The reservoir and recovery information in reserve reports prepared by independent reserve evaluators are estimates and actual production and recovery rates may vary from the estimates and the variations may be significant. The reserves estimation process is inherently complex and subjective. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgement of those preparing the estimate. Reserves data impacts not only PPR's financial statements, but also business decisions such as those pertaining to merger and acquisitions, and the assessment of capital projects for development and budgeting. Uncertainties around reserves estimates could have a profound impact on PPR's financial position, operating performance and strategic plans.

Risks Associated with Capital Resources

- Absent capital reinvestment or acquisition, PPR's reserves and production levels from petroleum and natural gas properties will decline over time as a result of natural declines. As a result, cash generated from operating these properties may decline. A decrease in reserves levels will also negatively impact the borrowing base under outstanding credit facilities.

- PPR is required to comply with covenants under outstanding debt agreements. In the event the Company does not comply with the covenants, its access to capital may be restricted. Any additional indebtedness brings the Company closer to its financial covenant limits, which increases the possibility of adverse changes in revenues, expenses, assets or liabilities resulting in non-compliance with financial covenants. Any such future non-compliance could result in adverse action by the lenders, including the imposition of limits on further borrowing.

- There have been high levels of price and volume volatility of publicly-traded securities in the last couple of years, particularly in the oil and natural gas exploration and development industry. Fluctuations in prices have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. Market fluctuations may hinder the Company's ability to raise equity.

- To the extent that external sources of capital become limited or unavailable or available on unfavourable terms, PPR's ability to make capital investments, meet its capital commitments, and maintain or expand existing assets and reserves may be impaired and PPR's assets, liabilities, business, financial condition, and results of operations may be materially or adversely affected as a result.

- Fluctuations in interest rates could result in increases in the amount PPR pays to service future debt. World oil prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Canadian/US dollar exchange rate. A material increase in the value of the Canadian dollar may negatively impact PPR's net production revenue.

- PPR is exposed to exchange rate risk from its US dollar denominated long-term debt. Material adverse changes to the Canadian dollar and US dollar exchange rate could negatively impact PPR's cash flow related to interest and principal payments.

- Although the Company monitors the credit worthiness of third parties with which it contracts, there can be no assurance that the Company will not experience a loss for nonperformance by any counterparty with whom it has a commercial relationship. Such events may result in material adverse consequences to the business of the Company.

Associated with Acquisitions

- Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Company's control. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

- Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets and the Company's securities.

- There may be liabilities that the Company failed to discover or was unable to quantify in its due diligence review conducted prior to the execution of an acquisition, and which could have a material adverse effect on the Company's business, financial condition or future prospects.

- Achieving the benefits of an acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from integrating the assets into its existing portfolio of properties. The integration of the assets requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect its ability to achieve the anticipated benefits of the acquisition.

General Business Risks

- The operations of PPR are conducted under permits issued by the federal and provincial governments and these permits must be renewed periodically. The federal and provincial governments may make operating requirements more stringent, which may require additional spending.

- Provincial programs, including royalty regimes and environmental regulations, related to the oil and gas industry may change in a manner that adversely impacts the Company. Future amendments to any of these programs could result in reduced cash flow and operating results.

- The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in Western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells, there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law, which may make the conduct of PPR’s business more expensive or prevent the Company from conducting its business as it currently does.

- The operation of oil and gas properties requires physical access for people and equipment on a regular basis, which could be affected by weather, accidents, government regulations or third-party actions.

- Skilled labor is necessary to run operations (both those employed directly by PPR and by the Company’s contractors) and there is a risk that it may have difficulty sourcing skilled labor which could lead to increased operating and capital costs.

- The loss of a member of PPR’s senior management team and/or key technical operations employee could result in a disruption to the Company’s operations.

- Income tax laws, other laws or government incentive programs relating to the oil and gas industry, may in the future be changed or interpreted in a manner that affects PPR or its stakeholders.

- The Company has become increasingly dependent on the availability, capacity, reliability and security of its information technology (IT) systems and infrastructure. Should access to these systems be significantly interrupted, the operations of the Company could be disrupted.

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 its ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company's assessment of its 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 and assets held for sale, 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 following table provides a calculation of working capital (deficit):

($000s)	December 31, 2023	December 31, 2022
Current assets	66,386	25,593
Less: current derivative instrument assets	—	—
Less: assets held for sale	(50,431)	—
Current assets excluding current derivatives instruments	15,955	25,593
Less: accounts payable and accrued liabilities	(23,964)	36,661
Working capital (deficit)	(8,009)	(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 netback 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 December 31,		Year Ended December 31,	
($000s)	2023	2022	2023	2022
Oil and natural gas revenue	18,382	24,462	79,802	120,598
Royalties	(3,455)	(5,301)	(11,868)	(20,398)
Operating expenses	(11,777)	(12,804)	(43,181)	(45,888)
Operating netback	3,150	6,537	24,753	54,312
Realized losses on derivatives	(302)	(4,305)	(931)	(25,508)
Operating netback, after realized losses on derivatives	2,848	2,232	23,822	28,804

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 December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Cash flows from (used in) operating activities	**2,819**	15,077	**(10,647)**	24,479
Changes in non-cash working capital	**(4,316)**	(17,789)	**6,112**	(15,817)
Other	**—**	31	**—**	102
Transaction, restructuring and other costs	**375**	—	**1,079**	1,257
Adjusted funds flow ("AFF")	**(1,122)**	(2,681)	**(3,456)**	10,021
Decommissioning settlements	**1,752**	3,079	**8,364**	5,505
AFF - excluding decommissioning settlements	**630**	398	**4,908**	15,526

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:

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Net loss before income tax	**(16,484)**	(2,890)	**(20,119)**	(2,402)
Add (deduct):				
Interest	**3,702**	4,601	**15,595**	15,646
Depletion and depreciation	**3,026**	4,483	**16,533**	21,535
Depreciation on right-of-use assets	**48**	449	**460**	1,851
Exploration and evaluation expense	**378**	29	**406**	967
Unrealized gain on derivatives	**(126)**	(5,139)	**(1,606)**	(7,282)
Impairment loss (reversal)	**9,091**	853	**20,938**	(16,818)
Accretion	**847**	705	**3,322**	2,641
(Gain) loss on foreign exchange	**(693)**	(1,022)	**(510)**	5,476
Change in other liabilities	**209**	89	**652**	300
Share-based compensation	**154**	408	**306**	517
Gain on sale of properties	**—**	—	**—**	(23)
Gain on warrant liability	**—**	(2,058)	**(1,870)**	—
Non-cash other income	**—**	223	**(139)**	(1,676)
Transaction costs, reorganization and other costs	**375**	—	**1,079**	1,257
Gain on extinguishment	**558**	—	**(9,811)**	—
Gain on fair value adjustment of Senior Notes	**—**	—	**(10,042)**	—
Bank Adjusted EBITDAX	**1,085**	731	**15,194**	21,989

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:

	Three Months Ended December 31,		Year Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Exploration and evaluation expenditures	**493**	—	**493**	216
Property and equipment expenditures	**187**	1,197	**193**	18,997
Capitalized stock-based compensation	**38**	—	**38**	3
Asset disposition (net of acquisition)	**(44)**	(4)	**(669)**	(27)
Net capital expenditures	**674**	1,193	**55**	19,189

Net Debt

Net debt is a non-GAAP financial 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:

($000s)	**December 31, 2023**	December 31, 2022
Working capital (deficit) [1]	**(8,009)**	(11,068)
Borrowings outstanding (principal plus deferred interest)	**(72,631)**	(136,751)
Total net debt	**(80,640)**	(147,819)

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