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Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2024

Dated: May 15, 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 ended March 31, 2024. This MD&A is dated May 15, 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024 (the "Interim Financial Statements"), the audited consolidated financial statements of PPR as at and for the year ended December 31, 2023 (the "2023 Annual Financial Statements") and the 2023 annual MD&A (the "Annual MD&A"). 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-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosures under the headings "Forward-Looking Statements" and "Non-IFRS Measures" included at the end of this MD&A.

Abbreviations

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

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

Financial and Operational Summary

($000s except per unit amounts)	Three Months Ended March 31, 2024	2023
Production Volumes		
Crude oil and condensate (bbl/d)	1,495	2,270
Natural gas (Mcf/d)	6,498	8,180
Natural gas liquids (bbl/d)	58	100
Total (boe/d)	2,636	3,733
% Liquids	59 %	63 %
Average Realized Prices		
Crude oil and condensate ($/bbl)	80.75	84.63
Natural gas ($/Mcf)	2.64	3.06
Natural gas liquids ($/bbl)	85.21	62.47
Total ($/boe)	54.17	59.83
Operating Netback ($/boe)[1]		
Realized price	54.17	59.83
Royalties	(7.80)	(10.21)
Operating costs	(34.36)	(36.16)
Operating netback	12.01	13.46
Realized gain (loss) on derivatives	(2.02)	(1.77)
Operating netback, after realized gain (loss) on derivatives	9.99	11.69

First Quarter 2024 Financial & Operational Highlights

- Production averaged 2,636 boe/d (59% liquids) in the quarter, which was 29% or 1,097 boe/d lower than Q1 2023, primarily due to capital constraints, wells requiring service and natural declines. The sale of the Evi CGU also contributed to the decrease, as the Company owned the CGU for only two of the three months in the quarter. Production from the Evi CGU averaged 491 boe/d for Q1 2024 compared to 792 boe/d for Q1 2023.
- Operating netback[1] for Q1 2024 was $2.9 million ($12.01/boe) before the impact of realized losses on derivatives, and $2.4 million ($9.99/boe) after realized losses on derivatives, a 36% and a 39% decrease, respectively, relative to Q1 2023. Q1 2024 operating expense was $34.36/boe, a decrease of $1.80/boe from Q1 2023 driven by lower production, partially offset by increases in electricity costs and property and production taxes.
- Net loss totaled $4.6 million in Q1 2024, a $12.6 million decrease compared to Q1 2023. The decrease was primarily due to non-cash gains of $13.5 million resulting from the Company's recapitalization plan in 2023. In addition, the decrease was impacted by lower oil and gas revenue, partially offset by lower expenses and a gain on property dispositions as compared to the same quarter of 2023.
- Adjusted funds flow ("AFF")[1] excluding $1.0 million of decommissioning settlements totaled $(1.9) million ($nil per basic and diluted share) in Q1 2024, a 12.9% decrease from the same quarter of 2023, primarily a result of lower commodity prices.
- In October 2023, the Company announced the strategic asset dispositions of its Evi CGU and certain non-core Provost assets. These assets were recorded as assets held for sale as at December 31, 2023 and were subsequently sold in the first quarter of 2024, resulting in net cash proceeds of $24.2 million, after closing adjustments. Of the proceeds received, $20.0 million (US$14.8 million) was used to reduce advances under the Revolving Facility, with the remainder used to increase the Company's working capital. A gain of $2.3 million was recorded related to the disposition for the three months ended March 31, 2024.
- The Company remained active in its decommissioning program with $1.0 million spent on settlements during the first quarter of 2024.

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

Results of Operations

Production

	Three Months Ended March 31,	
	2024	2023
Crude oil and condensate (bbl/d)	**1,495**	2,270
Natural gas (Mcf/d)	**6,498**	8,180
Natural gas liquids (bbls/d)	**58**	100
Total (boe/d)	**2,636**	3,733
Liquids Weighting	**59 %**	63 %

Average production for the three months ended March 31, 2024 was 2,636 boe/d (59% liquids), a decrease of 29%, compared to the same period in 2023. The decrease was primarily driven by the sale of the Company's Evi CGU in early March 2024, wells requiring servicing and natural declines.

Revenue

	Three Months Ended March 31,	
($000s, except per unit amounts)	**2024**	2023
Revenue		
Oil and condensate	**10,987**	17,291
Natural gas	**1,559**	2,252
Natural gas liquids	**450**	562
Oil and natural gas revenue	**12,996**	20,105
Average Realized Prices		
Oil and condensate ($/bbl)	**80.75**	84.63
Natural gas ($/Mcf)	**2.64**	3.06
Natural gas liquids ($/bbl)	**85.21**	62.47
Total ($/boe)	**54.17**	59.83
Benchmark Prices		
Crude oil - WTI ($/bbl)	**103.76**	102.89
Crude oil - Edmonton Light Sweet ($/bbl)	**95.45**	99.04
Crude oil - WCS ($/bbl)	**72.81**	69.33
Natural gas - AECO daily index - 5A ($/Mcf)	**2.18**	3.23
Exchange rate - US$/CDN$	**0.74**	0.74

PPR’s first quarter 2024 revenue decreased by 35% or $7.1 million from the first quarter of 2023, principally due to a decrease in production volumes and a reduction in realized crude oil and natural gas prices, as well as from the sale of the Company's Evi CGU. Oil and condensate revenue for the first quarter of 2024 decreased by 36%, compared to the corresponding period in 2023, primarily due to a 34% decrease in oil and condensate production volumes, as well as from the sale of the Evi CGU. PPR’s product prices generally correlate to changes in the benchmark prices. The average WTI price increased by 1% or $0.87/bbl from the first quarter of 2023; however, Canadian oil differentials were mixed compared to the first quarter of last year. In the first quarter of 2024, the WCS to WTI differential was $25.95/bbl (Q1 2023 - $33.56/bbl), and the Edmonton Light Sweet to WTI differential widened to $8.31/bbl (Q1 2023 - $3.85/bbl). First quarter 2024 conventional natural gas revenue decreased by 31% or $0.7 million, compared to the same quarter in 2023, reflecting a 14% decrease in realized natural gas prices and a 21% decrease in production volumes.

Average realized prices per boe for the first quarter of 2024 decreased by 9% or $5.66/boe compared to the same period in 2023. The decrease was due to a reduction in the realized prices of both oil and condensate, and natural gas, which were partially offset by rises in the realized prices of natural gas liquids.

Royalties

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Royalties	**1,871**	3,432
Per boe	**7.80**	10.21
Percentage of revenue	**14.4 %**	17.1 %

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

First quarter 2024 royalties decreased by $1.6 million compared to the corresponding period in 2023, primarily due to lower production volumes and commodity pricing. Royalties per boe decreased $2.41 per boe as royalties rates from higher productivity wells have reduced in correlation to production volumes over the last 12 months.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. In addition, PPR's credit facilities require the Company to maintain certain level of hedges on a rolling 24 month basis. Currently, these credit conditions related to hedging have been waived, however, PPR considers hedging to be an effective means to manage cash flows from operations and plans to reintroduce a hedging-based risk management program in the near future.

	Three Months Ended March 31,	
($000s)	**2024**	2023
Realized loss on derivatives	**(485)**	(594)
Unrealized gain on derivatives	**416**	2,110
Total gain (loss) on derivatives	**(69)**	1,516
Per boe		
Realized loss on derivatives	**(2.02)**	(1.77)
Unrealized gain on derivatives	**1.73**	6.28
Total gain (loss) on derivatives	**(0.29)**	4.51

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

The unrealized gain on derivatives recognized for the three months ended March 31, 2024 was the result of the Company's remaining derivative contracts settling during the quarter and the unwinding of the Company's mark-to-market position as of December 31, 2023.

The Company's realized prices are exposed to fluctuations in the US dollar and Canadian dollar exchange rate, which serve as natural hedges to the US dollar denominated debt.

As at March 31, 2024, the Company has no commodity derivatives.

Operating Expenses

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Total operating expenses	**8,242**	12,147
Per boe	**34.36**	36.16

During the three months ended March 31, 2024, operating expenses decreased by 32% or $3.9 million, from the same period in 2023, largely as a result of the sales of Evi, lower production volumes and electricity costs and partially offset by increases to property and production taxes.

On a per boe basis, total operating expense for the three months ended March 31, 2024 decreased $1.80 or 5% compared to the three months ended March 31, 2023 for the reasons noted above.

Operating Netback

	Three Months Ended March 31,	
($ per boe)	**2024**	2023
Revenue	**54.17**	59.83
Royalties	**(7.80)**	(10.21)
Operating costs	**(34.36)**	(36.16)
Operating netback	**12.01**	12.01
Realized loss on derivatives	**(2.02)**	(1.77)
Operating netback, after realized gain (loss) on derivatives	**9.99**	11.69

PPR's operating netback after realized losses on derivatives was $8.74/boe for the three months ended March 31, 2024, representing a decrease of $1.70/boe compared with the same period in 2023. The decrease was a result of a decrease in realized pricing of $5.66/boe and an increase in the realized loss on derivatives of $0.25/boe, partially offset by a decrease in royalties of $2.41/boe, and a decrease of operating expense of $1.80/boe.

General and Administrative Expenses ("G&A")

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Gross cash G&A expenses	**2,005**	2,946
Gross share-based compensation expense	**17**	72
Less amounts capitalized	**(67)**	(19)
Net G&A expenses	**1,955**	2,999
Per boe	**8.15**	8.93

For the three months ended March 31, 2024, gross cash G&A decreased by $0.9 million or 32%, compared to the same period in 2023. The first quarter decrease is primarily due to decreases in staffing levels and professional fees when compared to the first quarter of 2023.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and the timing and quantity of forfeitures. Gross stock-based compensation decreased by a nominal amount for the three months ended March 31, 2024 compared with the same period in 2023. There were no new grants issued under the Company's share-based compensation program during the three months ended March 31, 2024.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects.

Finance Costs

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Cash interest expense	**2,324**	2,806
Deferred interest expense	**562**	1,586
Non-cash interest on debt modification and warrant liabilities	**23**	833
Amortization of financing costs	**—**	34
Non-cash interest on lease liabilities	**205**	11
Accretion – decommissioning liabilities	**773**	812
Accretion – other liabilities	**—**	1
Total finance cost	**3,887**	6,083
Interest Expense (defined below) per boe	**12.03**	13.07
Non-cash interest and accretion expense per boe	**4.18**	5.03

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 with the underlying borrowing agreements. Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. The decrease in Interest Expense of $1.5 million for the three months ended March 31, 2024, compared to the same period in 2023, is primarily related to the repayment of $20.0 million (US$14.8 million) of the USD Revolving Facility during the quarter.

The weighted average effective interest rate for the three months ended March 31, 2024 was 15.0% (2023 – 8.5%) and excludes non-cash interest on debt, amortization of financing costs, non-cash interest on financing leases and accretion expense.

Loss (Gain) on Foreign Exchange

	Three Months Ended March 31,	
($000s)	**2024**	2023
Realized loss on foreign exchange	**522**	15
Unrealized loss (gain) on foreign exchange	**35**	(77)
Loss (gain) on foreign exchange	**557**	(62)

Foreign exchange (gains) losses incurred in the three months ended March 31, 2024 and 2023, related largely to the translation impact on US dollar denominated borrowings (see "Capital Resources and Liquidity" section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Exploration and evaluation expense	**—**	28
Per boe	**—**	0.08

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

Depletion and Depreciation

	Three Months Ended March 31,	
($000s, except per boe)	**2024**	2023
Depletion and depreciation	**2,539**	4,508
Depreciation on right-of-use assets	**85**	316
Total depletion expense	**2,624**	4,824
Per boe	**10.94**	14.36

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. Depletion expenses are calculated using depletion rates and production volumes applicable to each depletable unit. The decrease in depletion expense in the three months ended March 31, 2024 compared to the same period of 2023, was primarily due to the disposition of the Company's Evi CGU and certain non-core Provost assets, as well as production declines.

Impairment Loss (Reversal)

	Three Months Ended March 31,	
($000s)	**2024**	2023
E&E impairment reversal – decommissioning asset recovery	**(51)**	—
P&D impairment – decommissioning asset loss	**509**	—
Total impairment loss	**458**	—

During the three months ended March 31, 2024, the Company recognized an impairment loss of $0.5 million related to changes in decommissioning liabilities of certain properties that had zero carrying value (2023 - nil).

Net (Loss) Income

	Three Months Ended March 31,	
($000s except per share)	**2024**	2023
Net (loss) income	**(4,602)**	7,853
Per share – basic	**(0.01)**	0.06
Per share – diluted	**(0.01)**	0.05

Net loss for the first quarter of 2024 was $4.6 million, compared to net income of $7.9 million in the same quarter of 2023. The decrease in net income of $12.6 million was primarily due to non-cash gains of $13.5 million resulting from the Company's recapitalization plan in 2023. In addition, the decrease was impacted by lower oil and gas revenue, which was partially offset by lower expenses and a gain on property dispositions as compared to the same quarter of 2023.

Net Capital Expenditures[1,2]

	Three Months Ended March 31,	
($000s)	**2024**	2023
Drilling and completion	**38**	—
Equipment, facilities and pipelines	**59**	198
Land and seismic	**443**	28
Capitalized overhead and other	**48**	—
Total capital expenditures	**588**	226
Asset dispositions (net of acquisitions)	**(24,243)**	(178)
Net capital expenditures	**(23,655)**	48

[1] Net capital expenditures include expenditures on E&E assets.
[2] Net capital expenditures are non-IFRS measures and are defined below under "Other Advisories"

Capital expenditures prior to acquisitions or dispositions for the three months ended March 31, 2024, were $0.6 million and primary related to Lease retention.

In the first quarter of 2023, capital expenditures prior to acquisitions or dispositions were $0.2 million as the Company focused on refinancing its debt.

Gain on Property Dispositions

At December 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. During the first quarter of 2024, the Company completed its disposition resulting in net cash proceeds of $24.2 million. Of the proceeds received, $20.0 million (US$14.8 million) was used to reduce advances under the Revolving Facility, with the remainder used to increase the Company's working capital. A gain of $2.3 million was recorded related to the disposition for the three months ended March 31, 2024.

Decommissioning Liabilities

PPR's decommissioning liabilities at March 31, 2024 were $70.8 million (December 31, 2023 - $71.8 million, excluding liabilities associated with assets held for sale) to provide for future remediation, abandonment and reclamation of PPR's oil and gas properties. The decrease of $1.0 million from year-end 2023 was primarily due to dispositions of $0.7 million and settlements of decommissioning obligations of $1.0 million, partially offset by $0.8 million of accretion.

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

The Company estimated the undiscounted and inflation-adjusted future liabilities to be approximately $178.7 million (December 31, 2023 - $187.7 million) spanning over the next 55 years, based on an inflation rate of 1.8% (December 31, 2023 - 1.8%). Of the estimated undiscounted future liabilities, $22.1 million is estimated to be settled over the next five years. While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At March 31, 2024, the Company had a working capital deficit (as defined in "Other Advisories" below) of $8.0 million (December 31, 2023 – $8.0 million). The lack of change in the working capital deficit from December 31, 2023 resulted from a decrease in expenditures related to capital activity during the quarter and decreases in accounts payables for derivative settlements related to decreased commodity prices at the end of the first quarter as compared to the end of the prior year, partially offset by decreased accrued revenue, also related to commodity price decreases. The sale of the Evi CGU also contributed to the decrease with a reduction in revenue and operating costs occurring as a result of the disposition.

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 $46.8 million. As at March 31, 2024, the Company had $nil (2023 - $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 will occur before July 1, 2024 and will be 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)	**March 31, 2024**	December 31, 2023
USD Advances (USD $4.3 million (December 31, 2023 - USD $19.0 million))[1]	**5,770**	25,129
CAD Advances (USD $30.0 million (December 31, 2023 - USD $30.0 million))[2]	**40,530**	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2023 - USD $0.4 million)[2]	**543**	543
Revolving Facility (USD $49.4 million (December 31, 2023 - USD $49.4 million))	**46,843**	66,202

[1] Converted using the month end exchange rate of $1.00 USD to $1.36 CAD as at March 31, 2024 and $1.00 USD to $1.32 CAD as at December 31, 2023.
[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 2023 were primarily due to the partial repayment of the USD Revolving Facility during the quarter with proceeds from the sale of the Company's Evi CGU and certain Provost assets.

As at March 31, 2024 and December 31, 2023, PPR had outstanding letters of credit of $4.1 million. The letters of credit are issued by a financial institution at which PPR posted a cash deposit to cover letters of credit. The related deposit is classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

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 payment of a deferred compensation fee of US$1.7 million on the later of maturity or prepayment and the date on which the Revolver is fully repaid. At March 31, 2024, the Company has recognized US$1.0 million of deferred compensation fee related to the Second Lien Notes.

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

The following table provides a breakdown of Second Lien Notes at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate as at the respective dates presented of $1.00 USD to $1.36 CAD as at March 31, 2024.

($000s)	March 31, 2024	December 31, 2023
Second Lien Notes		
Principal (US$3.6 million (December 31, 2023 - $3.6 million))	4,876	4,817
Deferred interest (US$0.7 million (December 31, 2023 - $0.5 million))	854	628
Deferred compensation fee (US$1.0 million (December 31, 2023 - $0.7 million))	1,346	984
Total	7,076	6,429

Gain on extinguishment and revaluation of financial liabilities

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization" - see Note 9 (b) of the Annual Financial Statements). Under the Recapitalization, Senior Note amounts outstanding and associated warrants were converted to equity. The Recapitalization was accounted for as an extinguishment and as such, the previously recorded liabilities were derecognized and the modified liability was recorded at fair value as of March 29, 2023. As a result of the extinguishment, the Company recognized a gain of $10.3 million. The change in the fair value of the modified liability from March 29, 2023 to March 31, 2023 resulted in a further gain of $3.1 million.

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 Second Lien Notes include the same financial covenants, with less restrictive thresholds under the Senior Second Lien agreement.

The Company was in breach of the Leverage Ratio on March 31, 2024 and subsequently received a waiver from the lenders under the Revolving Facility and the Second Lien Notes to waive the application of this covenant for March 31, 2024. The covenants are listed in the table below:

Financial Covenant	Revolving Facility Requirement	Second Lien Note Requirement	As at March 31, 2024
Senior Leverage[1]	Cannot exceed 3.00 to 1.00	Cannot exceed 3.25 to 1.00	3.07
Asset Coverage[2]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.78 to 1.00	1.06

[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 covenant as well as certain non-financial covenants as at March 31, 2024 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 May 14, 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.

Shareholders' Equity

At March 31, 2024, PPR had consolidated share capital of $147.3 million (December 31, 2023 – $147.3 million) and had 716.1 million (December 31, 2023 – 715.6 million) outstanding common shares.

As at March 31, 2024, 3.9 million (December 31, 2023 – 4.5 million) options were outstanding with a weighted average strike price of $0.12 per share, of which 0.4 million were exercisable at a weighted average strike price of $0.17 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at March 31, 2024, 2.0 million (December 31, 2023 – 2.1 million) RSUs were outstanding. RSUs vest evenly over a three-year period. DSUs vest in their entirety on the grant date and will be settled when a director ceases to be a member of the board of directors. As at March 31, 2024, 3.0 million (December 31, 2023 – 3.5 million) DSUs were outstanding.

As of the date of this MD&A, there are 716.2 million common shares, 3.7 million RSUs, 6.6 million stock options, 3.0 million DSUs, and 48.0 million warrants.

Capital Management and Liquidity

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company addresses its liquidity risk through its capital management of cash, working capital, credit facility capacity and equity issuance along with its planned capital expenditure program. 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.

At March 31, 2024, the Company had $46.9 million drawn on its Revolving Facility with nil borrowing capacity available and $7.1 million outstanding in Second Lien Notes. At March 31, 2024, the Company was in breach of certain financial covenants and non-financial covenants under its Revolving Facility and Second Lien Notes. 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 as of May 14, 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.

Notwithstanding, the Company remains in a challenging position with respect to its ability to meet current financial obligations while managing its decommissioning liabilities, debt obligations, and debt-related financial covenants. With the Revolving Facility set to mature on July 1, 2024, and the Second Lien Notes set to mature on December 31, 2024, the Company recognizes the significance of these upcoming maturities and is actively assessing a variety of strategies and options to effectively manage its debt obligations. Given the current financial position of the Company and the breach of certain covenants at March 31, 2024, 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 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 the next 12 months. 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 borrowing base re-determination for the Revolving Facility will occur before July 1, 2024 and will be 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 natural 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 these factors, there is a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

Off Balance Sheet Transactions

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

Contractual Obligations and Commitments

For the three months ended March 31, 2024, there was no material change to the Company's commitments or contractual obligations as disclosed in the Annual Financial Statements.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	2024 Q1	Q4 2023	Q3 2023	Q2 2023	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Production Volumes								
Crude oil (bbl/d)	1,495	2,049	2,155	2,292	2,270	2,303	2,500	2,645
Conventional natural gas (Mcf/d)	6,498	7,374	7,685	7,518	8,180	8,014	8,857	8,987
Natural gas liquids (bbl/d)	58	135	88	97	100	114	120	126
Total (boe/d)	2,636	3,413	3,523	3,641	3,733	3,753	4,096	4,269
% Liquids	59 %	64 %	64 %	66 %	63 %	64 %	64 %	65 %
Financial								
Oil and natural gas revenue	12,996	18,382	21,701	19,615	20,105	24,642	28,439	38,145
Royalties	(1,871)	(3,455)	(3,217)	(1,764)	(3,432)	(5,301)	(5,333)	(6,187)
Unrealized gain (loss) on derivatives	416	126	(551)	(80)	2,110	5,139	8,200	4,061
Realized gain (loss) on derivatives	(485)	(302)	(320)	285	(594)	(4,305)	(6,355)	(9,296)
Revenue net of royalties and realized and unrealized gains (losses) on derivatives	11,056	14,751	17,613	18,056	18,189	20,175	24,951	26,723
Net earnings (loss)	(4,602)	(16,484)	(2,690)	(8,798)	7,853	(2,890)	(1,503)	3,888
Per share – basic	(0.01)	(0.02)	—	(0.02)	0.06	(0.02)	(0.01)	0.03
Per share – diluted	(0.01)	(0.02)	—	(0.02)	0.05	(0.02)	(0.01)	0.02
AFF [(1)]	(1,906)	(1,122)	83	(229)	(2,188)	(2,681)	(213)	7,887
Per share – basic	0.00	—	—	—	(0.02)	(0.02)	—	0.06
Per share – diluted	0.00	—	—	—	(0.02)	(0.02)	—	0.05
AFF excluding decommissioning settlements [(1)]	(863)	630	4,604	1,332	(1,658)	398	1,810	8,189
Per share – basic	0.00	—	0.01	—	(0.01)	—	0.01	0.06
Per share – diluted	0.00	—	0.01	—	(0.01)	—	0.01	0.05

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

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

First quarter 2024 oil and natural gas revenue decreased from the prior quarter largely due to the disposition of the Company's Evi CGU and certain non-core Provost assets, as well as production declines and lower average realized prices. This was partially offset by decreased hedge losses. The decrease in net income for the quarter was driven by lower oil and gas revenue, partially offset by lower expenses and a gain on property dispositions.

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.

Internal Control Over Financial Reporting and Officer Certifications

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

The Company’s 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 Chief Executive Officer and Chief Financial Officer have concluded that the Company’s ICFR was effective as of March 31, 2023. There have been no changes in the Company's ICFR during the period from January 1, 2024 to March 31, 2024 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

Newly adopted accounting policies

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1

In October 2022, the IASB issued amendments to clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability, in addition to the amendment from January 2020 where the IASB issued amendments to IAS 1 Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months, provided that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability and clarify when a liability is considered settled. This amendment also clarified the information disclosure requirements for loan arrangements that contain covenants and the classification requirements when a covenant is breached.

The amendment was adopted by the Company effective for the fiscal year beginning January 1, 2024. It did not have a material impact on the Interim Financial Statements.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other Canadian oil and gas operators and the business risks are very similar. Significant risks are summarized in the Annual MD&A and have remained unchanged during the first quarter of 2024. Additional risks are provided in the "Risk Factors" section of the 2023 Annual Information Form filed on SEDAR+ at www.sedarplus.ca.

Forward-Looking Statements

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

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

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

- the Company's assessment of the it's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

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

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

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

Other Advisories

Volumetric Conversion

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout the MD&A, PPR has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where

PPR sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-GAAP and Other Financial Measures

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

Working Capital (Deficit)

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

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

($000s)	**March 31, 2024**	December 31, 2023
Current assets	**13,286**	66,386
Less: assets held for sale	**—**	(50,431)
Current assets excluding current derivatives instruments	**13,286**	15,955
Less: Accounts payable and accrued liabilities	**(21,299)**	(23,964)
Working capital (deficit)	**(8,013)**	(8,009)

Operating Netback

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

The following table provides a calculation of operating netback:

	Three Months Ended March 31,	
($000s)	**2024**	2023
Oil and natural gas revenue	**12,996**	20,105
Royalties	**(1,871)**	(3,432)
Operating expenses	**(8,242)**	(12,147)
Operating netback	**2,883**	4,526
Realized losses on derivatives	**(485)**	(594)
Operating netback, after realized losses on derivatives	**2,398**	3,932

Adjusted Funds Flow ("AFF")

AFF is a non-GAAP financial measure calculated based on net cash from operating activities before changes in non-cash working capital, transaction costs, restructuring costs and other non-recurring items. The Company believes that AFF provides a useful measure of PPR’s operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary. Management utilizes the measure to assess PPR's ability to finance capital expenditures and debt repayments. AFF as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. AFF per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share. AFF per share is a non-GAAP ratio.

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

	Three Months Ended March 31,	
($000s)	**2024**	2023
Net cash used in operating activities	**(2,567)**	(4,358)
Changes in non-cash working capital	**403**	1,977
Other	**21**	193
Transaction and restructuring costs	**237**	—
Adjusted funds flow ("AFF")	**(1,906)**	(2,188)
Decommissioning settlements	**1,043**	530
AFF - excluding decommissioning settlements	**(863)**	(1,658)

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) income before income tax:

	Three Months Ended March 31,	
($000s)	2024	2023
Net income (loss) before income tax	(4,602)	7,853
Add (deduct):		
Interest	3,114	5,270
Depletion and depreciation	2,539	4,508
Depreciation on right-of-use assets	85	316
Exploration and evaluation expense	—	28
Unrealized (gain) loss on derivatives	(416)	(2,110)
Impairment loss	458	—
Accretion	773	813
Loss (Gain) on foreign exchange	557	(62)
Change in other liabilities	179	144
Share based compensation	17	72
Gain on sale of properties	(2,302)	—
Gain on warrant liability	—	(2,058)
Non-cash other income	—	(139)
Transaction and restructuring costs	237	—
Gain on extinguishment	—	(10,341)
Gain on fair value adjustment of Senior Notes	—	(3,117)
Bank Adjusted EBITDAX	639	1,177

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 March 31,	
($000s)	2024	2023
Exploration and evaluation expenditures	38	—
Property and equipment expenditures	59	198
Land and seismic	443	28
Capitalized overhead and other	48	—
Asset disposition (net of acquisition)	(24,243)	(178)
Net capital expenditures	(23,655)	48

Net Debt

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

The following table provides a calculation of net debt:

($000s)	**March 31, 2024**	December 31, 2023
Working capital (deficit)[1]	**(8,013)**	(8,009)
Borrowings outstanding (principal plus deferred interest)	**(53,919)**	(72,631)
Total net debt	**(61,932)**	(80,640)

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