Prairie Provident Resources Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the Three and Six Months Ended
June 30, 2024

Dated: August 13, 2024

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at *($000s)*	Note	June 30, 2024	December 31, 2023
ASSETS			
Cash		**2,282**	1,835
Restricted cash	17	**4,237**	4,237
Accounts receivable	17	**4,307**	6,593
Prepaid expenses and other assets		**2,616**	3,290
Assets held for sale	6	**—**	50,431
Total current assets		**13,442**	66,386
Exploration and evaluation	4	**3,539**	3,546
Property and equipment	5	**90,989**	95,280
Right-of-use assets	7	**1,333**	1,503
Other assets		**619**	619
Total assets		**109,922**	167,334
LIABILITIES			
Accounts payable and accrued liabilities		**23,232**	23,964
Current portion of lease liabilities	9	**3,026**	2,715
Current portion of decommissioning liabilities	10	**3,815**	6,155
Derivative instruments	17	**—**	416
Long-term debt	8	**57,628**	72,631
Liabilities associated with assets for sale	6	**—**	27,810
Total current liabilities		**87,701**	133,691
Lease liabilities	9	**813**	2,420
Decommissioning liabilities	10	**66,717**	65,602
Other liabilities		**9,142**	8,511
Total liabilities		**164,373**	210,224
SHAREHOLDERS' DEFICIT			
Share capital	11	**147,355**	147,273
Warrants	11	**729**	729
Contributed surplus		**39,621**	39,596
Accumulated deficit		**(240,872)**	(229,748)
Accumulated other comprehensive loss ("AOCL")		**(1,284)**	(740)
Total deficit		**(54,451)**	(42,890)
Total liabilities and shareholders' deficit		**109,922**	167,334

Going concern (Note 2(b))

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

		Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	Note	**2024**	2023	**2024**	2023
REVENUE					
Oil and natural gas revenue	14	**9,488**	19,615	**22,484**	39,719
Royalties		**(1,517)**	(1,764)	**(3,388)**	(5,196)
Oil and natural gas revenue, net of royalties		**7,971**	17,851	**19,096**	34,523
Unrealized (loss) gain on derivative instruments	17	**—**	(80)	**416**	2,031
Realized (loss) gain on derivative instruments	17	**—**	285	**(485)**	(309)
Other income		**11**	—	**11**	139
		7,982	18,056	**19,038**	36,384
EXPENSES					
Operating		**7,326**	10,220	**15,567**	22,367
General and administrative	15	**2,248**	2,761	**4,203**	5,760
Depletion and depreciation	5	**1,967**	2,791	**4,507**	7,299
Exploration and evaluation	4	**—**	—	**—**	28
Depreciation on right-of-use assets	7	**85**	48	**170**	364
Gain on property dispositions	6	**—**	—	**(2,302)**	—
Gain on warrant liability		**—**	—	**—**	(2,058)
Impairment (reversal) loss	4,5	**(219)**	13,079	**239**	13,079
Loss (gain) on foreign exchange		**(228)**	(490)	**329**	(552)
Finance costs	16	**3,295**	4,718	**7,182**	10,800
Transaction, restructuring and other costs		**30**	653	**267**	653
Gain on extinguishment of financial liabilities	8	**—**	—	**—**	(10,369)
Gain on revaluation of financial liabilities	8	**—**	(6,925)	**—**	(10,042)
Total expenses – net		**14,504**	26,855	**30,162**	37,329
Loss before taxes		**(6,522)**	(8,799)	**(11,124)**	(945)
Net loss		**(6,522)**	(8,799)	**(11,124)**	(945)
Other comprehensive loss					
Items that may be reclassified to net loss:					
Foreign currency translation adjustment		**(312)**	(71)	**(544)**	(628)
Total other comprehensive loss		**(312)**	(71)	**(544)**	(628)
Comprehensive loss		**(6,834)**	(8,870)	**(11,668)**	(1,573)
Net loss per share					
Basic	11	**(0.01)**	(0.02)	**(0.02)**	—
Diluted	11	**(0.01)**	(0.02)	**(0.02)**	—

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (UNAUDITED)

($000s)	Note	Share Capital Amount	Warrants	Contributed Surplus	Accumulated Deficit	AOCL	Total Equity (Deficit)
Balance at December 31, 2023		147,273	729	39,596	(229,748)	(740)	(42,890)
Share-based compensation	12	—	—	25	—	—	25
Settlement of share-based compensation, net of withholding tax	11	82	—	—	—	—	82
Exchange differences on translation of foreign operations		—	—	—	—	(544)	(544)
Net loss		—	—	—	(11,124)	—	(11,124)
Balance at June 30, 2024		147,355	729	39,621	(240,872)	(1,284)	(54,451)

($000s)	Share Capital Amount	Warrants	Contributed Surplus	Accumulated Deficit	AOCL	Total Equity (Deficit)
Balance at December 31, 2022	101,549	—	39,084	(209,629)	(117)	(69,113)
Share issuance costs	(902)	—	—	—	—	(902)
Issued as repayment of subordinated notes	41,152	—	—	—	—	41,152
Issued as cashless exercise of all PCEP warrants	2,058	—	—	—	—	2,058
Issued as equity offering	3,556	729	—	—	—	4,285
Share cancellation	(269)	—	269	—	—	—
Share-based compensation	—	—	379	—	—	379
Settlement of share-based compensation, net of withholding tax	23	—	(37)	—	—	(14)
Exchange differences on translation of foreign operations	—	—	—	—	(628)	(628)
Net loss	—	—	—	(945)	—	(945)
Balance at June 30, 2023	147,167	729	39,695	(210,574)	(745)	(23,728)

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($000s)	Note	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
OPERATING ACTIVITIES					
Net loss		(6,522)	(8,799)	(11,124)	(945)
Adjustments for non-cash items:					
Impairment (reversal)	4,5	(219)	13,079	239	13,079
Unrealized loss (gain) on derivative instruments	17	—	80	(416)	(2,031)
Depletion and depreciation	5	1,967	2,791	4,507	7,299
Depreciation on right-of-use asset	7	85	48	170	364
Exploration and evaluation expense	4	—	—	—	28
Accretion and non-cash finance costs	16	810	1,348	1,820	3,040
Unrealized foreign exchange loss (gain)		(194)	(416)	328	(493)
Change in other liabilities		452	160	631	291
Gain on sale of properties		—	—	(2,302)	—
Gain on warrant liability		—	—	—	(2,058)
Gain on extinguishment of financial liabilities		—	—	—	(11,769)
Gain on revaluation of financial liability		—	(7,327)	—	(10,444)
Share-based compensation	12	91	307	108	378
Non-cash other income	10	—	—	—	(139)
Settlements of decommissioning liabilities	10	(354)	(1,561)	(1,397)	(2,091)
Deferred interest on Senior Notes and Revolving Facility	8,16	558	748	1,120	2,334
Other, net		(27)	(16)	(7)	87
Change in non-cash working capital	13	2,267	(7,160)	2,670	(9,336)
Net cash (used in) operating activities		(1,086)	(6,718)	(3,653)	(12,406)
FINANCING ACTIVITIES					
Issuance costs		—	(618)	—	(618)
Issuance of common shares and warrants for cash		—	4,032	—	4,032
Settlement of share-based compensation, including withholding tax and net of proceeds	11,12	—	—	2	—
Repayments of principal related to lease obligations	9	(661)	(52)	(1,296)	(459)
Change in Second Lien borrowings	8,13	3,131	—	3,131	4,927
Change in Revolving Facility borrowings	8,13	—	—	(20,000)	—
Change in non-cash working capital	13	—	(402)	—	998
Net cash (used in) from financing activities		2,470	2,960	(18,163)	8,880
INVESTING ACTIVITIES					
Property and equipment expenditures	5	(440)	—	(1,018)	(6)
Proceeds from dispositions (net of acquisition)		(455)	74	23,723	252
Change in non-cash working capital	13	63	(109)	(442)	(626)
Net cash (used in) from investing activities		(832)	(35)	22,263	(380)
Change in cash and restricted cash		552	(3,793)	447	(3,906)
Cash and restricted cash, beginning of period		5,967	10,589	6,072	10,702
Cash and restricted cash, end of period		6,519	6,796	6,519	6,796

See accompanying notes to condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2024 and 2023

1. REPORTING ENTITY

Prairie Provident Resources Inc. (“PPR” or the “Company”) was incorporated under the laws of the province of Alberta on July 29, 2016. Its principal office is located at 640 – 5th Avenue S.W., Calgary, Alberta. The Company’s common shares are listed on the Toronto Stock Exchange under the symbol “PPR”.

PPR is an independent oil and natural gas exploration, development and production company. PPR’s reserves, producing properties and exploration prospects are located primarily in the province of Alberta. The Company conducts certain of its operating activities jointly with others through unincorporated joint arrangements and these condensed interim consolidated financial statements reflect only the Company’s share of assets, liabilities, revenues and expenses under these arrangements. The Company conducts all of its principal business in one reportable segment.

On May 15, 2023 former Noteholder, PCEP Canadian Holdco, LLC, acquired 540,925,109 Common Shares following a recapitalization transaction, thereby obtaining control of PPR. PCEP Canadian Holdco, LLC is a subsidiary of Prudential Private Capital, a unit of PGIM, Inc., the ultimate parent of PPR.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*.

The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of PPR as at and for the years ended December 31, 2023 and 2022 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements, other than described in Note 3 below.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

The Interim Financial Statements were approved and authorized for issue by the Board of Directors of PPR on August 13, 2024.

(b) Going Concern

These Interim Financial statements have been prepared in accordance with generally accepted accounting policies applicable to a going concern, which assumes that PPR will be able to realize its assets and discharge its liabilities in the normal course of business.

At June 30, 2024, the Company had $46.9 million drawn on its Revolving Facility with nil borrowing capacity available and $10.7 million outstanding in Second Lien Notes. Prior to June 30, 2024 the Company received a waiver allowing for the deferral of previously due interest payments to August 30, 2024 and removing the requirement to comply with the Senior Leverage ratio as of June 30, 2024. It also deferred the Company's requirement to comply with certain non-financial covenants until August 30, 2024.

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 maturing on August 30, 2024, and the Second Lien Notes set to mature on February 28, 2025, 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, 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. If the Company's Revolving Facility is not extended past August 30, 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 Company's lenders have not re-determined the borrowing base following the Company's reserves evaluation as at December 31, 2023. 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. These Interim Financial Statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying Interim Financial Statements. Such adjustments could be material.

(c) Basis of measurement

The Interim Financial Statements have been prepared on the historical cost basis except for except for those presented at fair value as detailed in the accounting policies disclosed in Note 3 "Material Accounting Policies" of the Annual Financial Statements.

(d) Functional and Presentation Currency

The Interim Financial Statements are presented in Canadian dollars (CAD), which is also the Company's functional currency. All references to US$ or USD are to United States dollars.

(e) Use of Estimates and Judgments

The preparation of Interim Financial Statements in conformity with International Financial Reporting Standards ("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 year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are outlined in the Annual Financial Statements, Note 2(d).

3. MATERIAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The Company's material accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statements.

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.

New accounting standards and amendments not yet adopted

On April 9, 2024, the IASB issued a new standard, International Financial Reporting Standard ("IFRS") 18 Presentation and Disclosure in Financial Statements, which introduced new requirements for improved comparability in the statement of profit or loss, enhanced transparency of management-defined performance measures and more useful grouping of information in the financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently evaluating its impact to the financial statements.

4. EXPLORATION AND EVALUATION ASSETS

($000s)	
Balance – December 31, 2023	65,191
Adjustments due to change in estimates in decommissioning liabilities (Note 10)	**(108)**
Disposals	**(7)**
Balance – June 30, 2024	**65,076**
Provision for impairment – beginning of year	(61,645)
Impairment recovery	**108**
Provision for impairment – June 30, 2024	**(61,537)**
Net book value – December 31, 2023	3,546
Net book value – June 30, 2024	**3,539**

Exploration and evaluation ("E&E") assets consist of the Company's undeveloped land and exploration and pilot projects which are pending the determination of proved or probable reserves.

During the three and six months ended June 30, 2024, PPR recognized $nil (June 30, 2023 - a nominal amount) of E&E expense related to surrendered or expired leases in various areas. The Company did not capitalize any directly attributable general and administrative expenses or share-based compensation to E&E assets during the three and six months ended June 30, 2024 (June 30, 2023 - $nil).

The Company assessed its E&E assets for indicators of impairment and did not note any indicators of impairment or impairment reversal that resulted in the need to perform impairment tests as at June 30, 2024. During the three and six months ended June 30, 2024, PPR recognized non-cash E&E impairment recovery of $0.1 million (June 30, 2023 - $nil) for changes in estimates of decommissioning liabilities related to E&E properties that had nil carrying value.

5. PROPERTY AND EQUIPMENT

($000s)	Production and Development	Office Equipment	Total
Cost:			
Balance – December 31, 2023	251,104	4,979	256,083
Net additions	525	84	609
Adjustments due to change in estimates in decommissioning liabilities (Note 10)	(46)	—	(46)
Balance – June 30, 2024	**251,583**	**5,063**	**256,646**
Accumulated impairment, depletion and depreciation:			
Balance – December 31, 2023	(156,159)	(4,644)	(160,803)
Depletion and depreciation	(4,457)	(50)	(4,507)
Impairment	(347)	—	(347)
Balance – June 30, 2024	**(160,963)**	**(4,694)**	**(165,657)**
Net book value – December 31, 2023	94,945	335	95,280
Net book value – June 30, 2024	**90,620**	**369**	**90,989**

(a) Capitalization of General and Administrative and Share-Based Compensation Expenses

During the three and six months ended June 30, 2024, a nominal amount (June 30, 2023 - a nominal amount) of directly attributable general and administrative expenses, including a nominal amount (June 30, 2023 - a nominal amount) of share-based compensation expenses, were capitalized to property and equipment.

(b) Impairment (Reversal) Loss

As at June 30, 2024, the Company assessed its production and development assets for indicators of impairment or impairment recovery and did not note any indicators.

During the three and six months ended June 30, 2024, PPR recognized a non-cash impairment recovery of $0.2 million and non-cash impairment of $0.3 million, respectively, related to changes in decommissioning liabilities of certain properties that had a zero carrying value (June 30, 2023 - $1.4 million recovery).

6. GAIN ON PROPERTY DISPOSITIONS

As of December 31, 2023, the Company classified its Evi CGU and certain Provost assets as assets held for sale. During the three months ended March 31, 2024, the Company completed its dispositions 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 dispositions for the six months ended June 30, 2024.

7. RIGHT-OF-USE ASSETS

($000s)	Office Leases	Facility Lease	Other Leases	Total
Cost:				
Balance – December 31, 2023 and June 30, 2024	**2,004**	**7,870**	**491**	**10,365**
Accumulated depreciation:				
Balance – December 31, 2023	(1,771)	(6,688)	(403)	(8,862)
Depreciation	**(75)**	**(74)**	**(21)**	**(170)**
Balance – June 30, 2024	**(1,846)**	**(6,762)**	**(424)**	**(9,032)**
Net book value – December 31, 2023	233	1,182	88	1,503
Net book value – June 30, 2024	**158**	**1,108**	**67**	**1,333**

8. LONG-TERM DEBT

($000s)	**June 30, 2024**	December 31, 2023
Revolving Facility		
USD Advances (US$4.3 million (December 31, 2023 - US$19.0 million))[1]	**5,818**	25,129
CAD Advances (US$30.0 million (December 31, 2023 - US$30.0 million))[2]	**40,530**	40,530
CAD Deferred interest (US$0.4 million (December 31, 2023 - US$0.4 million))[2]	**543**	543
Total principal - Revolving Facility	**46,891**	66,202
Second Lien Notes		
Principal (US$5.9 million (December 31, 2023 - $3.6 million)[1]	**7,979**	4,817
Deferred interest (US$0.8 million (December 31, 2023 - US$0.5 million))[1]	**1,076**	628
Deferred compensation fee (US$1.2 million (December 31, 2023 - US$0.7 million))[1]	**1,682**	984
Total carrying amount	**10,737**	6,429
Total debt	57,628	72,631
Current portion	57,628	72,631
Long-term portion	—	—

[1] Converted using the month end exchange rate of $1.00 USD to $1.37 CAD as at June 30, 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.

(a) Revolving Facility

The Revolving Facility has a maturity date of August 30, 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 June 30, 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 Company's lenders have not re-determined the borrowing base following the Company's reserves evaluation as at December 31, 2023. 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.

As at June 30, 2024, PPR had outstanding letters of credit of $4.1 million (December 31, 2023 – $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 instruments with maturity dates of one year or less when purchased (see Note 17).

As at June 30, 2024 and December 31, 2023, there were no deferred costs netted against the carrying value of the Revolving Facility.

(b) Second Lien Notes

On March 30, 2023, the Company completed the Second Lien Financing of the Recapitalization and issued US$3.6 million of Second Lien Notes. The Second Lien Notes have a maturity of February 28, 2025, 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 based on a target multiple of 1.8, capped by a 45% internal rate of return, on the later of maturity or prepayment and the date on which the Revolver is fully repaid.

On May 17, 2024, the Company issued an additional tranche of US$2.3 million of Second Lien Notes with consistent interest, maturity and conditions. At June 30, 2024, the Company has recognized a US$1.2 million of deferred compensation fee related to the Second Lien Notes.

(c) 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 December 31, 2023 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 $10.4 million in the six months ended June 30, 2023. The change in the fair value of the modified liability up to the date the Recapitalization closed resulted in a gain of $6.9 million and $10.1 million during the three and six months ended June 30, 2023.

(d) 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 Second Lien agreement.

The applicable financial covenants thresholds as at June 30, 2024 are as follows:

Financial Covenant	Revolving Facility Requirement	Second Lien Note Requirement	As at June 30, 2024
Senior Leverage[1]	Cannot exceed 3.00 to 1.00	Cannot exceed 3.25 to 1.00	5.88
Asset Coverage[2]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.78 to 1.00	1.40

[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).

Prior to June 30, 2024 the Company received a waiver allowing for the deferral of previously due interest payments to August 30, 2024 and removing the requirement to comply with the Senior Leverage ratio as of June 30, 2024. It also deferred the Company's requirement to comply with certain non-financial covenants until August 30, 2024.

9. LEASE LIABILITIES

($000s)	
Balance – December 31, 2023	5,135
Finance expense	383
Lease payments	(1,679)
Balance – June 30, 2024	3,839
Less: current portion	3,026
Balance – non-current portion	813

The following table details the undiscounted cash flows of PPR's lease obligations, as at June 30, 2024:

($000s)	Under 1 Year	1-3 Years	4-5 years	Beyond 5 years	Total Contractual Cash Flows	Carrying Amount
Lease obligations	3,440	850	12	42	4,344	3,839

10. DECOMMISSIONING LIABILITIES

($000s)	
Balance – December 31, 2023	71,757
Dispositions	**(701)**
Settlements	**(1,397)**
Change in estimates	**(517)**
Accretion of decommissioning liabilities	**1,390**
Balance – June 30, 2024	**70,532**
Comprised of:	
Current portion – June 30, 2024	**3,815**
Long-term portion – June 30, 2024	**66,717**
Current portion – December 31, 2023	6,155
Long-term portion – December 31, 2023	65,602

The Company estimated the undiscounted and inflated total future liabilities to be approximately $183.3 million (December 31, 2023 – $187.7 million, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities associated with assets held for sale). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 35 years, of which $22.1 million is estimated to be incurred over the next five years.

Decommissioning liabilities at June 30, 2024 were determined using risk-free rates of 3.27% - 3.92% (December 31, 2023 – 3.27% - 3.92%) and an inflation rate of 1.8% (December 31, 2023 – 1.8%).

11. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares.

(b) Units Outstanding

Common shares:	**Number of Shares *(000s)***	**Amount *($000s)***
Balance, December 31, 2023	715,579	147,273
Issued for DSU settlements	**436**	**65**
Issued for RSU settlements	**69**	**16**
Issued on exercise of stock options	**72**	**6**
Withholding taxes on settlements	**—**	**(5)**
Balance, June 30, 2024	**716,156**	**147,355**

	Number of Shares *(000s)*	Amount *($000s)*
Warrants:		
Balance, December 31, 2023	48,000	729
Balance, June 30, 2024	**48,000**	**729**

(c) Loss per share

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s)	**2024**	2023	**2024**	2023
Net loss for the period	**(6,522)**	(8,799)	**(11,124)**	(945)
Weighted average number of common shares				
Basic	**716,138**	419,597	**716,059**	275,653
Diluted	**716,138**	419,597	**716,059**	275,653
Basic net loss per share	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ —
Diluted net loss per share	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ —

The weighted average diluted common shares outstanding for each of the three and six months ended June 30, 2024 and 2023, exclude the impact of all outstanding equity settled awards issued under the Company's long-term incentive plans and warrants as they were anti-dilutive.

12. SHARE-BASED COMPENSATION

(a) Stock Options

The following table summarizes the stock options outstanding and exercisable under the plan:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2023	4,456,894	$0.13
Granted	**2,670,000**	$0.10
Exercised	**(71,906)**	$0.05
Forfeited or expired	**(869,238)**	$0.17
Balance – June 30, 2024	**6,185,750**	$0.10
Exercisable at June 30, 2024	**990,752**	$0.20

	Options Outstanding			Options Exercisable	
Year of Grant	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
2020	**54,085**	**$0.05**	**0.6**	**54,085**	**$0.05**
2021	**200,000**	**$0.09**	**2.2**	**200,000**	**$0.09**
2022	**771,665**	**$0.29**	**3.0**	**536,667**	**$0.29**
2023	**2,760,000**	**$0.07**	**4.3**	**200,000**	**$0.09**
2024	**2,400,000**	**$0.08**	**4.8**	**—**	**$0.00**
Total	**6,185,750**	**$0.10**	**4.2**	**990,752**	**$0.20**

During the three months ended June 30, 2024, 2,670,000 stock options were granted at an exercise price of $0.075 per share.

(b) Deferred Restricted Share Units

DSUs are granted under the Company's incentive security plan to non-management directors of the Company. 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. DSUs may be settled in common shares (by issuance from treasury or through the delivery of common shares purchased through the open market) or cash at the discretion of the Company; however, it is PPR's intention to settle the DSUs in common shares and the plan has been accounted for as equity settled.

The following table summarizes the DSUs outstanding under the plan:

	DSUs
Balance - December 31, 2023	3,465,134
Settled	(457,567)
Balance - June 30, 2024	**3,007,567**

(c) Restricted Share Units

Restricted share units ("RSUs") are granted under the Company's incentive security plan to the Company's employees and management. RSUs vest evenly over a three-year period and will be settled in common shares or cash at the discretion of the Company; however, it is PPR's intention to settle the RSUs in common shares and the plan has been accounted for as equity settled.

The following table summarizes the RSUs outstanding under the plan:

	RSUs
Balance – December 31, 2023	2,071,667
Granted	1,780,000
Exercised	(95,833)
Forfeited or expired	(230,000)
Balance – June 30, 2024	**3,525,834**

During the three months ended June 30, 2024, 1,780,000 RSUs were issued at a price of $0.075 per RSU.

(d) Share-based compensation expense

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	2024	2023	2024	2023
Shared-based compensation expense:				
Included in G&A	91	307	108	378
Share-based compensation expense before capitalization	91	307	108	378
Capitalized during the period	—	—	—	—
Share-based compensation expense after capitalization	**91**	307	**108**	378

13. SUPPLEMENTAL INFORMATION

(a) Cash Flow Presentation

Changes in non-cash working capital and interest paid are summarized:

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Source (use) of cash:				
Accounts receivable	**(42)**	3,719	**2,286**	4,394
Prepaid expenses and other current assets	**439**	101	**674**	752
Accounts payable and accrued liabilities	**1,933**	(11,562)	**(732)**	(13,624)
Foreign exchange on translation	**—**	71	**—**	(486)
	2,330	(7,671)	**2,228**	(8,964)
Related to operating activities	**2,267**	(7,160)	**2,670**	(9,336)
Related to financing activities	**—**	(402)	**—**	998
Related to investing activities	**63**	(109)	**(442)**	(626)
	2,330	(7,671)	**2,228**	(8,964)
Other:				
Interest paid during the period	**79**	2,446	**2,394**	4,336

(b) Financial Liabilities Reconciliation

Changes in liabilities arising from financing activities:

	Revolving Facility	Second Lien
Balance – December 31, 2023	66,202	6,429
Changes in cash flows	**(20,000)**	**3,131**
Deferred interest	**—**	**448**
Deferred compensation	**—**	**699**
Non-cash changes		
Unrealized foreign exchange loss	**689**	**(18)**
Amortization of fair value adjustment	**—**	**48**
Balance – June 30, 2024	**46,891**	**10,737**

14. REVENUE

($000s)	Three Months Ended June 30, 2024	2023	Six Months Ended June 30, 2024	2023
Oil & condensate	8,513	17,602	19,500	34,890
Natural gas	652	1,527	2,211	3,778
Natural gas liquids	323	486	773	1,051
Oil and natural gas revenue	9,488	19,615	22,484	39,719

Included in accounts receivable at June 30, 2024 was $2.6 million (December 31, 2023 – $4.9 million related to December 2023 production) of accrued oil and natural gas sales related to June 2024 production.

15. GENERAL AND ADMINISTRATIVE COSTS

($000s)	Three Months Ended June 30, 2024	2023	Six Months Ended June 30, 2024	2023
General and administrative	2,167	2,501	4,172	5,448
Share-based compensation	91	307	108	378
	2,258	2,808	4,280	5,826
Amounts capitalized to PP&E and E&E assets and Other	(10)	(47)	(77)	(66)
General and administrative expense	2,248	2,761	4,203	5,760

16. FINANCE COSTS

($000s)	Three Months Ended June 30, 2024	2023	Six Months Ended June 30, 2024	2023
Interest expense	1,919	2,620	4,242	5,426
Deferred interest expense[1]	558	748	1,120	2,334
Non-cash interest on debt modification and warrant liabilities	24	512	48	1,345
Amortization of financing costs	—	—	—	34
Non-cash interest on lease liabilities (Note 9)	177	6	382	16
Accretion – decommissioning liabilities (Note 10)	617	832	1,390	1,643
Accretion – other liabilities	—	—	—	2
Finance cost	3,295	4,718	7,182	10,800

[1] 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.

17. FINANCIAL INSTRUMENTS, FAIR VALUES AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

During the periods ended June 30, 2024 and 2023, there were no transfers among Levels 1, 2 and 3 of the fair value hierarchy.

Derivative contracts are valued using valuation techniques with observable market inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations and third-party option valuation models. The models incorporate various inputs including the credit quality, foreign exchange spot and forward rates, forward rate curves and the volatility of the underlying commodity. The fair values of the derivative contracts are net of a credit valuation adjustment attributable to derivative counterparty default risk or the Company's own default risk.

(b) Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development production and financing activities such as:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented, and monitors compliance with, risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable from joint operators and oil and natural gas marketers.

Cash and Restricted Cash

The Company limits its exposure to credit risk related to cash by depositing its excess cash only with financial institutions that have investment grade credit ratings. As of June 30, 2024, restricted cash included $4.2 million of guaranteed investment certificates with maturity dates of one year or less (December 31, 2023 – $4.2 million).

Accounts Receivable

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All of the Company's petroleum and natural gas production is marketed under standard industry terms. Accounts receivable from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a number of large purchasers and by entering into sales contracts with only established, credit-worthy counterparties. The Company historically has not experienced any collection issues with its oil and natural gas marketers.

PPR executes its derivative contracts with credit-worthy counterparties believed to have low credit risk. The Company historically has not experienced any collection issues with its derivative instruments counterparties.

Receivables from joint operators are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining the partners' pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exist with joint operators as disagreements occasionally arise that may increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint operators; however, the Company can withhold production from joint operators in the event of non-payment or may be able to register security on the assets of joint operators.

For the six months ended June 30, 2024, PPR had three external customers that constituted more than 10 per cent of oil and natural gas revenue with combined revenues of $16.4 million. For the six months ended June 30, 2023, PPR had three external customers that constituted more than 10 per cent of commodity sales from production, with sales of $25.2 million.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

($000s)	June 30, 2024	December 31, 2023
Oil and natural gas marketing companies	2,634	4,918
Joint venture partners	1,411	1,695
Other	262	(20)
Total accounts receivable	4,307	6,593

The Company's accounts receivable are aged as follows:

($000s)	June 30, 2024	December 31, 2023
Current (less than 90 days)	3,132	6,279
Past due (more than 90 days)	1,175	314
Total	4,307	6,593

PPR has not recorded any allowance for doubtful accounts as at June 30, 2024 or December 31, 2023. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

Derivatives

PPR executes with each of its derivative counterparties an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions. As of June 30, 2024, there were no derivative contracts outstanding.

Financial assets and financial liabilities are only offset if PPR has the current legal right to offset and intends to settle on a net basis. The following is a summary of PPR's financial assets and financial liabilities that were subject to offsetting as at June 30, 2024 and December 31, 2023. The net asset amounts represent the maximum exposure to credit risk for derivative instruments at each reporting date.

June 30, 2024 *($000s)*	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments liabilities	—	—	—

December 31, 2023 *($000s)*	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments liabilities	(416)	—	(416)

(ii) Liquidity Risk & Capital Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As outlined in Note 8, at June 30, 2024, 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 August 30, 2024 and February 28, 2025, respectively. This, and the information provided in Note 2(b) Going Concern, results in material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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

PPR monitors its capital structure using the ratio of Senior Leverage (as defined in Note 8) to trailing twelve months' EBITDAX (as defined in Note 8). 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.

(iii) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

The Company may use financial derivative contracts to manage market risks as disclosed below. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

(iv) Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Substantially all of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated long-term debt. The exposure to fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

(v) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Revolving Facility fluctuates with changes in prime interest rates. The Company is exposed to interest rate risk related to borrowings that are drawn under the Revolving Facility.

A change in prime interest rates by 100 basis points would have changed net loss by approximately $0.5 million in the six month ended June 30, 2024 (June 30, 2023 – $0.7 million) assuming all other variables remain constant.

(vi) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

PPR enters into derivative instruments to manage its exposure to commodity price risk caused by fluctuations in commodity prices, which have served to protect and provide certainty on a portion of the Company's cash flows.

The following lists the fair value of all derivative contracts by commodity type in place at the following balance sheet dates:

June 30, 2024	**Oil & condensate**	**Natural Gas**	**Total**
($000s)			
Derivative instruments	—	—	—
Total Liabilities	—	—	—

December 31, 2023	Oil & condensate	Natural Gas	Total
($000s)			
Derivative instruments – current liabilities	(416)	—	(416)
Total Liabilities	(416)	—	(416)

The following shows the breakdown of realized and unrealized gains and losses recognized by commodity type for the three and six months ended June 30, 2024 and 2023:

Three Months Ended June 30, 2024	Oil & condensate	Natural Gas	Total
($000s)			
Realized gain (loss) on derivative instruments	—	—	—
Unrealized gain (loss) on derivative instruments	—	—	—
Total gain (loss)	—	—	—

Three Months Ended June 30, 2023	Oil & condensate	Natural Gas	Total
($000s)			
Realized gain (loss) on derivative instruments	(17)	302	285
Unrealized gain (loss) on derivative instruments	317	(397)	(80)
Total gain (loss)	300	(95)	205

Six months ended June 30, 2024	Oil & condensate	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(485)	—	(485)
Unrealized gain on derivative instruments	416	—	416
Total loss	(69)	—	(69)

Six months ended June 30, 2023	Oil & condensate	Natural Gas	Total
($000s)			
Realized gain (loss) on derivative instruments	(486)	177	(309)
Unrealized gain on derivative instruments	892	1,139	2,031
Total gain	406	1,316	1,722

As at June 30, 2024, the Company has no commodity derivatives.