Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2024

Dated: August 13, 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 provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three and six months ended June 30, 2024. This MD&A is dated August 13, 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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.sedar.com.

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

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

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

+Abbreviations

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

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

Financial and Operational Summary

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s except per unit amounts)	**2024**	2023	**2024**	2023
Production Volumes				
Oil & condensate (bbl/d)	**993**	2,292	**1,244**	2,279
Natural gas (Mcf/d)	**5,923**	7,518	**6,211**	7,629
Natural gas liquids (bbl/d)	**65**	97	**62**	98
Total (boe/d)	**2,045**	3,641	**2,341**	3,648
% Liquids	**52%**	66%	**56%**	65%
Average Realized Prices				
Oil & condensate ($/bbl)	**94.21**	84.40	**86.13**	84.59
Natural gas ($/Mcf)	**1.21**	2.23	**1.96**	2.74
Natural gas liquids ($/bbl)	**54.61**	55.24	**68.50**	59.25
Total ($/boe)	**50.98**	59.19	**52.77**	60.15
Operating Netback ($/boe)[1]				
Realized price	**50.98**	59.19	**52.77**	60.15
Royalties	**(8.15)**	(5.32)	**(7.95)**	(7.87)
Operating costs	**(39.36)**	(30.85)	**(36.53)**	(33.87)
Operating netback	**3.47**	23.02	**8.29**	18.41
Realized gains (losses) on derivatives	**—**	0.86	**(1.14)**	(0.47)
Operating netback, after realized gains (losses) on derivatives	**3.47**	23.88	**7.15**	17.94

Second Quarter 2024 Financial and Operating Highlights

- Production averaged 2,045 boe/d (52% liquids) in the second quarter of 2024, a 44% or 1,596 boe/d decrease from the same period in 2023, primarily due to the sale of the Evi CGU resulting in lower overall production. Additional factors include wells requiring service and natural declines from the prior year. These same factors contributed to the decrease of average production for the six months ended June 30, 2024 by 1,307 boe/d compared to the first half of 2023. A workover program commenced in May and continued through to the end of June, which provided initial production rates of approximately 274 boe/d, and which are expected to fully benefit third quarter production levels.

- Operating netback[1] before the impact of realized gains on derivatives was $0.6 million or $3.47/boe for the second quarter of 2024, a decrease of $7.0 million or 92% from the same period in 2023. On a per boe basis, operating netback decreased by $19.55/boe from Q2 2023 driven by lower natural gas prices, a higher natural gas production weighting and higher operating costs from the workover program. Approximately, $3.25/boe was incurred relating to a workover program. Average realized pricing for oil and condensate increased in the three month period ending June 30, 2024 resulted in increased royalty rates.

- Adjusted funds flow ("AFF")[1], excluding $0.4 million of decommissioning settlements, was $(2.9) million ($nil per basic and diluted share) for the second quarter of 2024, a $6.1 million decrease from the same quarter of 2023, primarily a result of lower commodity prices and production.

- In May, 2024 the Company received additional funding of US$2.3 million in the form of additional Second Lien Notes, a portion of which was used for the Company's workover program.

- The Company remained active in its decommissioning program with $1.4 million spent during the first six months 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 June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Oil & condensate (bbl/d)	**993**	2,292	**1,244**	2,279
Natural gas (Mcf/d)	**5,923**	7,518	**6,211**	7,629
Natural gas liquids (bbls/d)	**65**	97	**62**	98
Total (boe/d)	**2,045**	3,641	**2,341**	3,648
Liquids Weighting	**52%**	66%	**56%**	65%

Average production for the three and six months ended June 30, 2024 was 2,045 boe/d (52% liquids) and 2,341 boe/d (56% liquids), a decrease of 44% and 36%, respectively, compared to the corresponding periods in 2023 as a result of the first quarter disposition and natural production declines.

Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per unit amounts)	**2024**	2023	**2024**	2023
Revenue				
Oil & condensate	**8,513**	17,602	**19,500**	34,890
Natural gas	**652**	1,527	**2,211**	3,778
Natural gas liquids	**323**	486	**773**	1,051
Oil and natural gas revenue	**9,488**	19,615	**22,484**	39,719
Average Realized Prices				
Oil & condensate ($/bbl)	**94.21**	84.40	**86.13**	84.59
Natural gas ($/Mcf)	**1.21**	2.23	**1.96**	2.74
Natural gas liquids ($/bbl)	**54.61**	55.24	**68.50**	59.25
Total ($/boe)	**50.98**	59.19	**52.77**	60.15
Benchmark Prices				
Crude oil - WTI ($/bbl)	**108.85**	99.11	**107.88**	101.03
Crude oil - Edmonton Light Sweet ($/bbl)	**72.15**	94.99	**75.76**	97.36
Crude oil - WCS ($/bbl)	**82.96**	78.95	**91.44**	74.04
Natural gas - AECO daily index - 5A ($/Mcf)	**1.79**	2.45	**1.68**	2.84
Exchange rate - US$/CDN$	**0.73**	0.74	**0.73**	0.74

PPR’s second quarter 2024 revenue decreased by 52% or $10.1 million from the second quarter of 2023, driven by lower production and natural gas prices.

Oil and condensate revenue for the second quarter of 2024 decreased by 52%, compared to the corresponding period in 2023, due to a 57% decrease in production volume, partially offset with an increase in realized oil and condensate prices of 12%. PPR’s product prices generally correlate to changes in the benchmark prices. In the second quarter of 2024, the average WTI price increased by 10% or $9.74/bbl while the average Edmonton Light Sweet price decreased by 24% or $22.84/bbl, from the average pricing in the second quarter of 2023. During the second quarter of 2024, the WCS to WTI differential was $25.89/bbl (Q2 2023 - $20.16/bbl), and the Edmonton Light Sweet to WTI differential increased to $36.70/bbl (Q2 2023 - $4.12/bbl).

Second quarter 2024 natural gas revenue decreased by 57% or $0.9 million, compared to the same quarter in 2023, driven by a 46% decrease in realized natural gas prices.

Average realized prices per boe for the second quarter of 2024 decreased by 14% or $8.21/boe from the same quarter of 2023, mostly due to the decrease in the oil and liquids production weighting, and realized prices of both, natural gas and natural gas liquids.

On a year-to-date basis, revenue decreased by 43% or $17.2 million, compared to the same period in 2023. The 44% decrease in oil and condensate revenue reflected a 45% decline in production volumes, offset by a 2% increase in realized oil and condensate prices. For the six months ended June 30, 2024, the average WTI price and the average Edmonton Light Sweet price increased by 7% or $6.85/bbl and decreased by 22% or $21.60/bbl, respectively, compared to the same period of 2023. The WCS to WTI differential was $16.44/bbl (Q2 2023 - $26.99/bbl), and the Edmonton Light Sweet to WTI differential increased to $32.12/bbl (Q2 2023 - $3.67/bbl). The 41% decrease in natural gas revenue reflected a 29% decrease in realized natural gas prices and a 19% production decrease.

Averaged realized prices per boe for the six months ended June 30, 2024 decreased by 12% or $7.38/boe, compared to the same period in 2023, correlating to decrease in realized prices of natural gas, partially offset by increases in realized prices of both oil and condensate, and natural gas liquids.

Royalties

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Royalties	**1,517**	1,764	**3,388**	5,196
Per boe	**8.15**	5.32	**7.95**	7.87
Percentage of revenue	**16.0%**	9.0%	**15.1%**	13.0%

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

Second quarter and year-to-date 2024 royalties decreased by $0.2 million and $1.8 million, respectively, compared to the corresponding periods in 2023, largely due to lower production volumes of oil and condensate.

Royalties per boe for the three and six months ended June 30, 2024 increased compared to the corresponding periods in 2023. During the second quarter of 2024, royalties per boe were higher due to oil and condensate pricing, which increased crown royalty rates.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of its 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 June 30,		Six Months Ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Realized gain (loss) on derivatives	**—**	285	**(485)**	(309)
Unrealized gain (loss) on derivatives	**—**	(80)	**416**	2,031
Total gain (loss) on derivatives	**—**	205	**(69)**	1,722

Per boe				
Realized gain (loss) on derivatives	—	0.86	(1.14)	(0.47)
Unrealized gain (loss) on derivatives	—	(0.24)	0.98	3.08
Total gain (loss) on derivatives	—	0.62	(0.16)	2.61

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 six months ended June 30, 2024 was the result of the Company's remaining derivative contracts settling during the prior 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 June 30, 2024, the Company has no commodity derivatives.

Operating Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Total operating expenses	**7,326**	10,220	**15,567**	22,367
Per boe	**39.36**	30.85	**36.53**	33.87

During the three and six months ended June 30, 2024, operating expenses decreased by 28% or $2.9 million and 30% or $6.8 million, respectively, from the corresponding periods in 2023. The decrease in costs is largely a result of the EVI disposition, lower production volumes and electricity costs, partially offset by increases to property and production taxes.

On a per boe basis, total operating expense for the three and six months ended June 30, 2024 increased by 28% or $8.51/boe and 8% or $2.66/boe, respectively, compared to the same period in 2023. The increases were largely due to the Company's second quarter workover program, and fixed operating costs being spread out over fewer produced barrels.Approximately, $3.25/boe was incurred relating to the workover program.

Operating Netback

	Three Months Ended June 30,		Six Months Ended June 30,	
($ per boe)	**2024**	2023	**2024**	2023
Revenue	**50.98**	59.19	**52.77**	60.15
Royalties	**(8.15)**	(5.32)	**(7.95)**	(7.87)
Operating costs	**(39.36)**	(30.85)	**(36.53)**	(33.87)
Operating netback	**3.47**	23.02	**8.28**	18.41
Realized gains (losses) on derivatives	**—**	0.86	**(1.14)**	(0.47)
Operating netback, after realized gains (losses) on derivatives	**3.47**	23.88	**7.14**	17.94

PPR’s operating netback after realized gains (losses) on derivatives was $3.47/boe and $7.14/boe for the three and six months ended June 30, 2024, which represents decreases of $20.41/boe or 85% and $10.80/boe or 60%, respectively, compared with the corresponding periods of 2023.

For the three months ended June 30, 2024 the operating netback decrease was primarily due to a $8.51/boe increase in operating expenses, a $2.83/boe increase in royalties and a $8.21/boe decrease in realized pricing compared to the corresponding three-month period in 2023. The increase in operating expenses per boe was primarily due to a reduction in production volumes relative to an increased proportion of fixed costs during the respective periods, including $0.6M of workovers in the quarter.

For the six months ended June 30, 2024, the operating netback decrease was primarily due to average realized prices decreasing by $7.38/boe, and an increase in operating expenses of $2.66/boe, compared to the corresponding six-month period in 2023.

General and Administrative Expenses ("G&A")

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Gross cash G&A expenses	**2,167**	2,501	**4,172**	5,448
Gross share-based compensation expense	**91**	307	**108**	378
Less amounts capitalized	**(10)**	(47)	**(77)**	(66)
Net G&A expenses	**2,248**	2,761	**4,203**	5,760
Per boe	**12.08**	8.33	**9.86**	6.34

For the three months ended June 30, 2024, gross cash G&A decreased by $0.3 million or 13%, compared to the corresponding three-month period in 2023. For the six months ended June 30, 2024, gross cash G&A decreased by $1.3 million or 23%, compared to the corresponding six month period in 2023. The overall decrease is primarily due to the decrease in staffing levels compared to 2023 and is partially offset by the increase in professional fees incurred in the second quarter of 2024.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and timing and quantity of forfeitures. Gross stock-based compensation decreased by 70% and 71% for the three and six months ended June 30, 2024 compared with the same periods in 2023 given reduced staffing levels.

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 June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Cash interest expense	**1,919**	2,620	**4,242**	5,426
Deferred interest expense	**558**	748	**1,120**	2,334
Non-cash interest on debt (fair valuation and warrant liabilities)	**24**	512	**48**	1,345
Amortization of financing costs	**—**	—	**—**	34
Non-cash interest on financing lease	**177**	6	**382**	16
Accretion – decommissioning liabilities	**617**	832	**1,390**	1,643
Accretion – other liabilities	**—**	—	**—**	2
Total finance cost	**3,295**	4,718	**7,182**	10,800
Interest expense (defined below) per boe	**13.31**	10.17	**12.58**	11.75
Non-cash interest and accretion expense per boe	**4.40**	4.07	**4.27**	4.60

Deferred interest expense is interest which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance to the underlying borrowing agreements. Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. The decrease in Interest Expense of $0.9 million and $2.4 million for the three and six

months ended June 30, 2024, as compared to the respective periods in 2023, is primarily related to the repayment of $20.0 million (US$14.8 million) of the USD Revolving Facility during Q1 2024 as well as the recapitalization of senior debt amounts in May 2023.

The weighted average effective interest rate for the three and six months ended June 30, 2024 was 14.0% and 15.4%, respectively (2023 – 9.3% and 7.2%, respectively).

Accretion on decommissioning liabilities decreased by $0.2 million and $0.3 million during the three and six months ended June 30, 2024, compared to the same periods in 2023, due to dispositions in the first quarter.

Foreign Exchange Loss (Gain)

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Realized loss (gain) on foreign exchange	**(223)**	(74)	**299**	(59)
Unrealized loss (gain) on foreign exchange	**(5)**	(416)	**30**	(493)
Loss (gain) on foreign exchange	**(228)**	(490)	**329**	(552)

Foreign exchange losses (gains) incurred in the three and six months ended June 30, 2024 are related to the change in exchange rates on the translation of US dollar denominated borrowings to CAD (see “Capital Resources and Liquidity” section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Exploration and evaluation expense	**—**	—	**—**	28
Per boe	**—**	—	**—**	0.04

Exploration and evaluation expenses are comprised of undeveloped land expires, derecognized seismic and surrendered leases.

Depletion and Depreciation

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Depletion and depreciation	**1,967**	2,791	**4,507**	7,299
Depreciation on right-of-use assets	**85**	48	**170**	364
Total depletion expense	**2,052**	2,839	**4,677**	7,663
Per boe	**11.03**	8.57	**10.98**	11.61

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 asset. The change in depletion expense and per boe expense during the three and six months ended June 30, 2024, compared to the same periods 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 June 30,		Six Months Ended June 30,	
($000s)	**2024**	2023	**2024**	2023
E&E impairment reversal – decommissioning asset recovery	**(57)**	—	**(108)**	—
P&D impairment – decommissioning and P&D asset (recovery) loss	**(161)**	13,079	**347**	13,079
Total impairment (recovery) loss	**(218)**	13,079	**239**	13,079

During the three and six months ended June 30, 2024, the Company recognized a $0.2 million impairment recovery and $0.2 million impairment loss (three and six months ended June 30, 2023 - $13.1 million), respectively related to changes in decommissioning liabilities of certain properties that had zero carrying value.

As at June 30, 2023, the Company assessed its P&D assets and found indicators of impairment on its Evi CGU. An impairment test was performed, and the CGU was written down by $14.5 million. The evaluation of the recoverable amount pertaining to the Evi CGU centered on the fair value less costs of disposal (FVLCD). This assessment constitutes a non-recurring instance of fair value measurement, categorized as level 3 within the fair value hierarchy. This classification arises from the fact that specific vital assumptions stem from the Company's best estimation rather than being grounded in observable market data.

The Company assessed and concluded that there were no indicators of impairment or impairment reversal against its P&D assets as at June 30, 2024.

Net Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s except per share)	**2024**	2023	**2024**	2023
Net (loss)	**(6,522)**	(8,799)	**(11,124)**	(945)
Per share – basic	**(0.01)**	(0.02)	**(0.02)**	—
Per share – diluted	**(0.01)**	(0.02)	**(0.02)**	—

Net loss for the second quarter of 2024 was $6.5 million, compared to a net loss of $8.8 million in the same period of 2023. The $2.3 million decrease in the net loss was primarily due to a 2023 impairment of the Evi CGU of $14.5 million, offset by a 2023 $6.9 million gain on valuation of financial liabilities and a $10.1 million decrease in oil and natural gas revenue.

Net loss was $11.1 million for the first six months of 2024, compared to a $0.9 million loss in the same period of 2023. The $10.2 million increase in net loss was primarily due to a $17.2 million decrease in oil and natural gas revenue, partially offset by associated reductions in operating expenses of $6.8 million.

Net Capital Expenditures[1,2]

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	**2024**	2023	**2024**	2023
Drilling and completion	**279**	—	**317**	—
Equipment, facilities and pipelines	**(9)**	—	**50**	—
Land and seismic	**—**	—	**543**	—
Capitalized overhead and other	**35**	6	**83**	6
Total Capital Expenditures	**305**	6	**993**	6
Asset dispositions (net of acquisitions)	**116**	(557)	**(24,127)**	(557)
Net Capital Expenditures	**421**	(551)	**(23,134)**	(551)

[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 and six months ended June 30, 2024 were $0.3 million and $1.0 million, respectively.

Capital expenditures prior to acquisitions or dispositions for the three and six months ended June 30, 2023 were a nominal amount as the Company focused on refinancing its debt.

Capitalized overhead increased for the three and six months ended June 30, 2024 as compared to the same periods in 2023 as the Company's capital program increased.[1]

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 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 six months ended June 30, 2024.

Decommissioning Liabilities

PPR’s decommissioning liabilities at June 30, 2024 were $70.5 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 $1.2 million from year-end 2023 was primarily due to dispositions of $0.7 million, a change in estimate decrease of $0.5 million and settlements of decommissioning obligations of $1.4 million, partially offset by accretion expense of $1.4 million.

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

The Company estimated the undiscounted and inflation-adjusted future liabilities of approximately $183.3 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 June 30, 2024, the Company had a working deficit (as defined in “Other Advisories” below) of $9.8 million (December 31, 2023 – $8.0 million). The decrease in working capital from December 31, 2023 resulted from reduced current assets including a reduction in accounts receivable, due to reduced oil and natural gas revenue.

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

[1]

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.

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

($000s)	June 30, 2024	December 31, 2023
USD Advances (USD $4.3 million (December 31, 2023 - USD $19.0 million))[1]	5,818	25,129
CAD Advances (USD $30.0 million (December 31, 2023 - USD $30.0 million))[2]	40,530	40,530
CAD Deferred Interest (USD $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))	46,891	66,202

[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.

The change in borrowings from year-end 2023 were primarily due to the partial repayment of the USD Revolving Facility in Q1 2024 with proceeds from the sale of the Company's Evi CGU and certain Provost assets.

As at June 30, 2024, 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.

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

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 US$1.2 million of deferred compensation fee related to the Second Lien Notes.

The following table provides a breakdown of Second Lien Notes at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate as at the respective dates presented of $1.00 USD to $1.37 CAD as at June 30, 2024 and $1.00 USD to $1.32 CAD as at December 31, 2023.

($000s)	June 30, 2024	December 31, 2023
Second Lien Notes		
Principal (US$5.9 million (December 31, 2023 - US$3.6 million))	7,979	4,817
Deferred interest (US$0.8 million (December 31, 2023 - US$0.5 million))	1,076	628
Deferred compensation fee (US$1.2 million (December 31, 2023 - US$0.7 million))	1,682	984
Total	10,737	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 $10.4 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 in three and six months ended June 30, 2023.

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 applicable financial covenants are listed in the table below:

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.

Shareholders' Equity

At June 30, 2024, PPR had consolidated share capital of $147.4 million (December 31, 2023 – $147.3 million) and had $716.2 million (December 31, 2023 – 715.6 million) outstanding common shares.

As at June 30, 2024, 6.2 million (December 31, 2023 – 4.5 million) options were outstanding with a weighted average strike price of $0.10 per share, of which 0.99 million were exercisable at a weighted average strike price of $0.20 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at June 30, 2024, 3.5 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 June 30, 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, 3.5 million RSUs, 6.2 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. The Company'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 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.

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, 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.

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 and six months ended June 30, 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 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Production Volumes								
Crude oil (bbl/d)	993	1,495	2,049	2,155	2,292	2,270	2,303	2,500
Conventional natural gas (Mcf/d)	5,923	6,498	7,374	7,685	7,518	8,180	8,014	8,857
Natural gas liquids (bbl/d)	65	58	135	88	97	100	114	120
Total (boe/d)	2,045	2,636	3,413	3,523	3,641	3,733	3,753	4,096
% Liquids	52 %	59 %	64 %	64 %	66 %	63 %	64 %	64 %
Financial								
Oil and natural gas revenue	9,488	12,996	18,382	21,701	19,615	20,105	24,642	28,439
Royalties	(1,517)	(1,871)	(3,455)	(3,217)	(1,764)	(3,432)	(5,301)	(5,333)
Unrealized gain/ (loss) on derivatives	—	416	126	(551)	(80)	2,110	5,139	8,200
Realized gain/(loss) on derivatives	—	(485)	(302)	(320)	285	(594)	(4,305)	(6,355)
Revenue net of realized and unrealized gains (losses) on derivatives	7,971	11,056	14,751	17,613	18,056	18,189	20,175	24,951
Net earnings (loss)	(6,522)	(4,602)	(16,484)	(2,690)	(8,798)	7,853	(2,890)	(1,503)
Per share – basic	(0.01)	(0.01)	(0.02)	—	(0.02)	0.06	(0.02)	(0.01)
Per share – diluted	(0.01)	(0.01)	(0.02)	—	(0.02)	0.05	(0.02)	(0.01)
AFF [1]	(3,296)	(1,906)	(1,122)	83	(229)	(2,188)	(2,681)	(213)
Per share – basic	—	—	—	—	—	(0.02)	(0.02)	—
Per share – diluted	—	—	—	—	—	(0.02)	(0.02)	—
AFF excluding decommissioning settlements [1]	(2,942)	(863)	630	4,604	1,332	(1,658)	398	1,810
Per share – basic	—	—	—	0.01	—	(0.01)	—	0.01
Per share – diluted	—	—	—	0.01	—	(0.01)	—	0.01

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.

Second quarter 2024 oil and natural gas revenue decreased from the prior quarter mainly 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.

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.

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 has maintained, designed, or caused to be designed under their supervision, internal control over financial reporting as defined in National Instrument 52-109. The control framework used by PPR's officer 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 has concluded that the Company's ICFR was effective as of June 30, 2024. There have been no changes in the Company's ICFR during the period from January 1, 2024 to June 30, 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.

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 the impact on the 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 second 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.

The Company believes the expectations and forecasts reflected in the Company’s forward-looking statements are reasonable, but the Company 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:

($000s)	**June 30, 2024**	December 31, 2023
Current assets	**13,442**	66,386
Less: Assets held for sale	**—**	(50,431)
Current assets excluding current derivatives instruments	**13,442**	15,955
Less: Accounts payable and accrued liabilities	**(23,232)**	(23,964)
Working capital	**(9,790)**	(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 June 30,		Six Months Ended June 30,	
($000s)	2024	2023	2024	2023
Oil and natural gas revenue	9,488	19,615	22,484	39,719
Royalties	(1,517)	(1,764)	(3,388)	(5,196)
Operating expenses	(7,326)	(10,220)	(15,567)	(22,367)
Operating netback	645	7,631	3,529	12,156
Realized gains (losses) on derivatives	—	285	(485)	(309)
Operating netback, after realized gains (losses) on derivatives	645	7,916	3,044	11,847

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 June 30,		Six Months Ended June 30,	
($000s)	2024	2023	2024	2023
Net cash used in operating activities	(1,086)	(6,718)	(3,653)	(12,406)
Changes in non-cash working capital	(2,267)	7,671	(2,670)	9,336
Other	27	—	7	—
Transaction, restructuring and other costs	30	653	267	653
Adjusted funds flow ("AFF")	(3,296)	1,606	(6,049)	(2,417)
Decommissioning settlements	354	1,561	1,397	2,091
AFF - excluding decommissioning settlements	(2,942)	3,167	(4,652)	(326)

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 earnings (loss) before income tax:

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	2024	2023	2024	2023
Net earnings (loss) before income tax	(6,522)	(8,799)	(11,124)	(945)
Add (deduct):				
Interest	2,678	3,886	5,792	9,157
Depletion and depreciation	1,967	2,791	4,507	7,299
Depreciation on right-of-use assets	85	48	170	364
Exploration and evaluation expense	—	—	—	28
Unrealized loss (gain) on derivatives	—	80	(416)	(2,031)
Impairment (reversal) loss	(219)	13,079	239	13,079
Accretion	617	832	1,390	1,643
(Gain) loss on foreign exchange	(228)	(490)	329	(552)
Change in other liabilities	179	147	358	291
Share – based compensation	91	307	108	378
Gain on sale of properties	—	—	(2,302)	—
Gain on warrant liability	—	—	—	(2,058)
Non-cash other income	—	—	—	139
Transaction and restructuring costs	30	653	267	653
Gain on extinguishment	—	—	—	(10,369)
Gain on fair value adjustment of Senior Notes	—	(6,925)	—	(10,042)
Bank Adjusted EBITDAX	(1,322)	5,609	(682)	7,034

Net Capital Expenditures

Net capital expenditures are 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 June 30,		Six Months Ended June 30,	
($000s)	2024	2023	2024	2023
Exploration and evaluation expenditures	279	—	317	28
Property and equipment expenditures	(9)	6	50	6
Land and seismic	—	—	543	—
Capitalized overhead and other	35	—	83	—
Asset disposition (net of acquisition)	116	(557)	(24,127)	(557)
Net capital expenditures	421	(551)	(23,134)	(523)

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)	**June 30, 2024**	December 31, 2023
Working capital (deficit)[1]	**(9,790)**	(8,009)
Borrowings outstanding (principal plus deferred interest)	**(57,628)**	(72,631)
Total net debt	**(67,418)**	(80,640)

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