Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2024

Dated: November 14, 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 nine months ended September 30, 2024. This MD&A is dated November 14, 2024 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 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 the Company's website at www.ppr.ca or on SEDAR+ at www.sedarplus.ca.

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

Unless otherwise noted, all financial information provided herein is reported in Canadian dollars. Production volumes are presented on a working-interest basis, before royalties. Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

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

($000s except per unit amounts)	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
Production Volumes				
Crude oil and condensate (bbl/d)	1,118	2,155	1,202	2,237
Natural gas (Mcf/d)	5,846	7,685	6,088	7,648
Natural gas liquids (bbl/d)	81	88	68	95
Total (boe/d)	2,173	3,523	2,285	3,606
% Liquids	55%	64%	56%	65%
Average Realized Prices				
Crude oil and condensate ($/bbl)	86.44	97.97	86.21	88.93
Natural gas ($/Mcf)	0.69	2.60	1.55	2.69
Natural gas liquids ($/bbl)	51.56	54.77	68.50	57.85
Total ($/boe)	48.25	66.95	51.33	62.39
Operating Netback ($/boe)				
Realized price	48.25	66.95	51.33	62.39
Royalties	(8.12)	(9.92)	(8.00)	(8.55)
Operating costs	(26.93)	(27.88)	(33.47)	(31.90)
Operating netback	13.20	29.15	9.86	21.94
Realized gains (losses) on derivatives	—	(0.99)	(0.77)	(0.64)
Operating netback, after realized gains (losses) on derivatives	13.20	28.16	9.09	21.30

Third Quarter 2024 Financial and Operating Highlights

- Production averaged 2,173 boe/d (55% oil and liquids) in the third quarter of 2024, a 38% or 1,350 boe/d decrease from the same period in 2023, primarily due to the sale of the Evi CGU in the first quarter of 2024.

- Operating expenses of $26.93/boe in the third quarter of 2024, a decrease of $0.95/boe from the same period in 2023.

- The Company spent $1.1 million in the third quarter of 2024 as part of a workover program, which included both well optimization and workovers, resulting in a 6.3% increase in the average production for the third quarter of 2024 when compared to the average production of 2,045 boe/d (52% oil and liquids) in the second quarter of 2024.

- Operating netback[1] before the impact of realized losses on derivatives was $2.6 million or $13.20/boe for the third quarter of 2024, a decrease of $6.8 million or 72% from the same period in 2023. On a per boe basis, operating netback decreased by $15.95/boe from the same period in 2023 driven by lower crude oil and natural gas prices and a higher natural gas production weighting as a result of the sale of the Evi CGU.

- Net income for the third quarter of 2024 was $5.2 million, compared to a net loss of $2.7 million in the same period of 2023. The $7.9 million increase was mainly due to $10.9 million gain on the extinguishment of financial liabilities as further described in Note 8(c) of the Financial Statements.

- The Company remained active in its decommissioning program spending $1.9 million during the first nine 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Crude oil and condensate (bbl/d)	1,118	2,155	1,202	2,237
Natural gas (Mcf/d)	5,846	7,685	6,088	7,648
Natural gas liquids (bbls/d)	81	88	68	95
Total (boe/d)	2,173	3,523	2,285	3,606
Liquids Weighting	55%	64%	56%	65%

Average production for the three and nine months ended September 30, 2024 was 2,173 boe/d (55% liquids) and 2,285 boe/d (56% liquids), a decrease of 38% and 37%, respectively, compared to the corresponding periods in 2023 as a result of the first quarter disposition and natural production declines.

Petroleum and Natural Gas sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per unit amounts)	2024	2023	2024	2023
Petroleum and natural gas sales				
Crude oil and condensate	8,894	19,420	28,394	54,310
Natural gas	371	1,839	2,582	5,617
Natural gas liquids	386	442	1,159	1,493
Petroleum and natural gas sales	9,651	21,701	32,135	61,420
Average Realized Prices				
Crude oil and condensate ($/bbl)	86.44	97.97	86.21	88.93
Natural gas ($/Mcf)	0.69	2.60	1.55	2.69
Natural gas liquids ($/bbl)	51.56	54.77	61.93	57.85
Total ($/boe)	48.25	66.95	51.33	62.39
Benchmark Prices				
Crude oil - WTI ($/bbl)	102.62	110.29	105.52	104.11
Crude oil - Canadian Light Sweet ($/bbl)	98.52	107.19	99.97	100.62
Crude oil - WCS ($/bbl)	85.02	93.12	84.78	80.48
Natural gas - AECO 5A ($/Mcf)	0.61	2.32	1.39	2.47
Exchange rate - US$/CDN$	0.73	0.75	0.73	0.74

PPR's third quarter 2024 petroleum and natural gas sales decreased by 56% or $12.1 million from the third quarter of 2023, driven by lower crude oil and natural gas prices, lower production and disposition of properties in the first quarter of 2024.

Crude oil and condensate sales for the third quarter of 2024 decreased by 54%, compared to the corresponding period in 2023, due to a 48% decrease in production volume and a decrease in realized crude oil and condensate prices of 12%. PPR's product prices generally correlate to changes in the benchmark prices. In the third quarter of 2024, the average WTI price decreased by 7% or $7.67/bbl while the average Canadian Light Sweet price decreased by 8% or $8.67/bbl, from the average pricing in the third quarter of 2023. During the third quarter of 2024, the WCS to WTI differential was $17.60/bbl (Q3 2023 - $17.17/bbl), and the Canadian Light Sweet to WTI differential was comparable at $4.10/bbl (Q3 2023 - $3.10/bbl).

Third quarter 2024 natural gas sales decreased by 80% or $1.5 million, compared to the same quarter in 2023, driven by a 73% decrease in realized natural gas prices.

Average realized prices per boe for the third quarter of 2024 decreased by 28% or $18.70/boe from the same quarter of 2023, mostly due to the decrease in the oil and liquids production weighting, and realized prices of all products.

On a year-to-date basis, petroleum and natural gas sales decreased by 48% or $29.3 million, compared to the same period in 2023. The 48% decrease in crude oil and condensate sales reflected a 46% decline in production volumes and a 3% decrease in realized oil and condensate prices. For the nine months ended September 30, 2024, the average WTI price and the average Canadian Light Sweet price increased by 1% or $1.41/bbl and decreased by 1% or $0.65/bbl, respectively, compared to the same period of 2023. The WCS to WTI differential was $20.74/bbl (Q3 2023 - $23.63/bbl), and the Canadian Light Sweet to WTI differential was $5.55/bbl (Q3 2023 - $3.49/bbl). The 54% decrease in natural gas sales reflected a 42% decrease in realized natural gas prices and a 20% production decrease.

Averaged realized prices per boe for the nine months ended September 30, 2024 decreased by 18% or $11.06/boe, compared to the same period in 2023, correlating to a decrease in realized prices of both crude oil and natural gas, partially offset by an increase in realized prices of natural gas liquids.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Royalties	**1,623**	3,217	**5,011**	8,413
Per boe ($)	**8.12**	9.92	**8.00**	8.55
Percentage of petroleum and natural gas sales	**16.8%**	14.8%	**15.6%**	13.7%

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.

Third quarter and year-to-date 2024 royalties decreased by $1.6 million and $3.4 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 nine months ended September 30, 2024 decreased compared to the corresponding periods in 2023. During the third quarter of 2024, royalties per boe were lower due to both oil and condensate and natural gas pricing.

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 September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Realized loss on derivatives	**—**	(320)	**(485)**	(629)
Unrealized gain (loss) on derivatives	**—**	(551)	**416**	1,480
Total gain (loss) on derivatives	**—**	(871)	**(69)**	851
Per boe ($)				
Realized loss on derivatives	**—**	(0.99)	**(0.77)**	(0.64)
Unrealized gain (loss) on derivatives	**—**	(1.70)	**0.66**	1.50
Total gain (loss) on derivatives	**—**	(2.69)	**(0.11)**	0.86

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 nine months ended September 30, 2023 was the result of the Company's remaining derivative contracts settling during the first 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 September 30, 2024, the Company has no commodity derivatives.

Operating Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Total operating expenses	**5,386**	9,037	**20,953**	31,404
Per boe	**26.93**	27.88	**33.47**	31.90

During the three and nine months ended September 30, 2024, operating expenses decreased by 40% or $3.7 million and 33% or $10.5 million, respectively, from the corresponding periods in 2023. The decrease in costs is largely a result of the EVI disposition, lower production volumes and lower costs in most operating areas such as repairs and maintenance, well servicing, equipment rentals and power costs.

On a per boe basis, total operating expense for the three and nine months ended September 30, 2024 decreased by 3% or $0.95/boe and increased by 5% or $1.57/boe, respectively, compared to the same period in 2023. The decrease in costs was largely due to repairs and maintenance, well servicing, equipment rentals and power. The increase was largely due to the Company's second quarter workover program, and fixed operating costs being spread out over fewer produced barrels.

Operating Netback

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ per boe)	**2024**	2023	**2024**	2023
Petroleum and natural gas sales	**48.25**	66.95	**51.33**	62.39
Royalties	**(8.12)**	(9.92)	**(8.00)**	(8.55)
Operating costs	**(26.93)**	(27.88)	**(33.47)**	(31.90)
Operating netback	**13.20**	29.15	**9.86**	21.94
Realized losses on derivatives	**—**	(0.99)	**(0.77)**	(0.64)
Operating netback, after realized losses on derivatives	**13.20**	28.16	**9.09**	21.30

PPR’s operating netback after realized losses on derivatives was $13.20/boe and $9.09/boe for the three and nine months ended September 30, 2024, which represents decreases of $14.96/boe or 53% and $12.21/boe or 57%, respectively, compared with the corresponding periods of 2023.

For the three months ended September 30, 2024 the operating netback decrease was primarily due a $18.70/boe decrease in realized pricing, however offset by a decrease of $0.95/boe in operating expenses and a $1.80/boe decrease in royalties compared to the corresponding three-month period in 2023. The decrease in realized pricing is mainly due to decreases in commodity prices and the decrease in operating expenses per boe was lower repairs and maintenance, well servicing, equipment rentals and power costs.

For the nine months ended September 30, 2024, the operating netback decrease was primarily due to average realized prices decreasing by $11.06/boe and increases in operating expenses of $1.57/boe due to the workover program of the prior quarter, compared to the corresponding nine-month period in 2023.

General and Administrative ("G&A") Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
G&A costs	**1,989**	1,984	**6,162**	7,432
Share-based compensation expense	**63**	(226)	**170**	152
Gross G&A expense	**2,052**	1,758	**6,332**	7,584
Less amounts capitalized	**(10)**	(58)	**(87)**	(124)
Net G&A expenses	**2,042**	1,700	**6,245**	7,460
Per boe ($)	**10.21**	5.25	**9.97**	7.58

For the three months ended September 30, 2024, gross cash G&A was relatively the same compared to the corresponding three-month period in 2023. For the nine months ended September 30, 2024, gross cash G&A decreased by $1.3 million or 17%, compared to the corresponding nine month period in 2023. The overall decrease is primarily due to the decrease in staffing levels compared to 2023, however offset by an increase in professional fees incurred in the second and third quarters of 2024 and an increase of bad debt due to increasing the allowance for doubtful accounts.

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 128% and increased 12% for the three and nine months ended September 30, 2024, respectively 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 September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Interest expense and finance costs - Debt	**3,162**	2,699	**8,559**	11,568
Interest expense - Lease liabilities	**148**	149	**531**	421
Interest expense - Other	**13**	2	**25**	18
Total interest expense	**3,323**	2,850	**9,115**	12,007
Interest income	**(186)**	(114)	**(186)**	(114)
Accretion expense – Decommissioning liabilities	**615**	832	**2,005**	2,475
Finance costs	**3,752**	3,568	**10,934**	14,368
Per boe ($)	**18.77**	11.01	**17.46**	14.60

The Company's finance costs include interest expense and accretion expense, net of interest income. The increase in interest Expense of $0.5 million and the decrease of $2.9 million for the three and nine months ended September 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 Senior Lien Loan during the first quarter of 2024 as well as the recapitalization of senior debt amounts in May 2023.

Accretion expense on decommissioning liabilities decreased by $0.2 million and $0.5 million during the three and nine months ended September 30, 2024, compared to the same periods in 2023, due to dispositions in the first quarter of 2024.

Foreign Exchange Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Realized loss on foreign exchange	**11**	92	**310**	33
Unrealized loss on foreign exchange	**1**	643	**31**	150
Loss on foreign exchange	**12**	735	**341**	183

Foreign exchange losses incurred in the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Exploration and evaluation expense	**—**	—	**—**	28
Per boe ($)	**—**	—	**—**	0.03

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

Depletion and Depreciation

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2024**	2023	**2024**	2023
Depletion and depreciation of property and equipment	**2,154**	6,208	**6,661**	13,507
Depreciation on right-of-use assets	**85**	48	**255**	412
Total depletion expense	**2,239**	6,256	**6,916**	13,919
Per boe ($)	**11.20**	15.48	**11.05**	14.14

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 nine months ended September 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 expense (Impairment reversal)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
E&E impairment – Decommissioning asset impairment (recovery)	**53**	—	**(55)**	—
P&D impairment – Decommissioning and P&D asset impairment (recovery)	**309**	(1,232)	**656**	11,847
Total impairment expense (impairment reversal)	**362**	(1,232)	**601**	11,847

During the three and nine months ended September 30, 2024, the Company recognized a $0.4 million impairment expense and $0.6 million impairment expense (three and nine months ended September 30, 2023 - $1.2 million impairment reversal and $11.8 million impairment expense), respectively related to changes in decommissioning liabilities of certain properties that had zero carrying value.

As at September 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 September 30, 2024.

Net Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per share)	**2024**	2023	**2024**	2023
Net income (loss)	**5,164**	(2,690)	**(5,960)**	(3,635)
Per share – Basic ($)	**0.01**	—	**(0.01)**	(0.01)
Per share – Diluted ($)	**0.01**	—	**(0.01)**	(0.01)

Net income for the third quarter of 2024 was $5.2 million, compared to a net loss of $2.7 million in the same period of 2023. The $7.9 million increase in the net income was primarily due to the gain on extinguishment of the debt of $10.9 million.

Net loss was $6.0 million for the first nine months of 2024, compared to a $3.6 million loss in the same period of 2023. The $2.3 million increase in net loss was primarily due to a $29.3 million decrease in petroleum and natural gas revenue, offset by associated reductions in operating expenses of $10.5 million and the $10.9 million gain due to the extinguishment of the debt.

Net Capital Expenditures[1,2]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Drilling and completion	**421**	—	**738**	—
Equipment, facilities and pipelines	**28**	—	**77**	—
Land and seismic	**172**	—	**741**	—
Capitalized overhead and other	**35**	—	**118**	6
Total Capital Expenditures	**656**	—	**1,674**	6
Asset dispositions (net of acquisitions)	**(630)**	(312)	**(24,353)**	(564)
Net Capital Expenditures	**26**	(312)	**(22,679)**	(558)

[1] Net Capital Expenditures include expenditures on the Company's E&E assets and property and equipment, net of the proceeds on asset dispositions and acquisitions.
[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 nine months ended September 30, 2024 were $0.7 million and $1.7 million, respectively.

Capital expenditures prior to acquisitions or dispositions for the three and nine months ended September 30, 2023 was $nil as the Company focused on refinancing its debt in 2023.

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 First Lien Loan, 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 nine months ended September 30, 2024.

Decommissioning Liabilities

PPR’s decommissioning liabilities at September 30, 2024 were $71.2 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 $0.6 million from year-end 2023 was primarily due to dispositions of $0.7 million and settlements of decommissioning obligations of $1.9 million, partially offset by accretion expense of $2.0 million and a change in estimate increase of $0.1 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 $189.6 million (December 31, 2023 - $187.7 million) spanning over the next 55 years, based on an inflation rate of 1.9% (December 31, 2023 - 1.8%). Of the estimated undiscounted future liabilities, $26.4 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

The Company considers its capital structure to include working capital, debt and shareholders' equity (deficit).

Working Capital

At September 30, 2024, the Company had working capital (as defined in “Other Advisories” below) of $1.4 million (December 31, 2023 – $8.0 million working capital deficit). The increase in working capital from December 31, 2023 resulted from increased current assets (excluding assets held for sale) primarily due to an increase in cash and restricted cash of $7.2 million as a result of the share offering and a decrease in accounts payable and accrued liabilities due to the disposition of the Company's Evi CGU and certain non-core Provost assets in the first quarter of 2024.

Debt

At September 30, 2024, the Company's debt comprises the following:

($000s)	Principal Debt[1] September 30, 2024	Principal Debt[1] December 31, 2023	Carrying Amount of Debt September 30, 2024	Carrying Amount of Debt December 31, 2023
Revolving Facility - First Lien Loan				
USD Advance - US$5.5 million principal (Dec 31, 2023 - US$19.0 million)[1]	7,370	25,129	6,341	25,129
CAD Advance - C$46.5 million principal (Dec 31, 2023 - C$41.1 million)	46,454	41,073	39,490	41,073
Amendment Fee Advanced - C$1.5 million principal (Dec 31, 2023 - C$nil)	1,500	—	1,035	—
Total First Lien Loan	55,324	66,202	46,866	66,202
Second Lien Notes[2]				
Tranche 1 (Mar-23) - US$3.6 million principal (Dec 31, 2023 - US$3.6 million)[1 2]	4,914	4,815	4,437	6,429
Tranche 2 (May-24) - US$nil principal	—	—	—	—
Additional Notes - US$0.1 million principal (Dec 31, 2023 - US$nil)[1]	199	—	100	—
Total Second Lien Notes	5,113	4,815	4,537	6,429
Carrying amounts				
Current portion of debt	—	71,017	—	72,631
Non-current portion of debt	60,437	—	51,403	—
Total debt	60,437	**71,017**	51,403	**72,631**

[1] At September 30, 2024, USD-denominated principal debt converted at an exchange rate of US$1.00 to C$1.3499 (December 31, 2023 - US$1.00 to C$1.3226).

[2] The Second Lien Notes tranches' principal is subject to deferred interest in kind (whilst the principal remains outstanding) and an overall deferred compensation fee as described below, which are not included in the principal as presented. PPR estimates that the principal will be subject to a target multiple of x1.8 on settlement at the maturity date, which is not reflected in the table above.

In addition to the debt as detailed above, the Company includes the following accrued interest payable in accounts payable and accrued liabilities:

($000s)	September 30, 2024	December 31, 2023
Accrued Interest - First Lien Loan		
USD Advance	—	336
CAD Advance	—	523
Amendment Fee Advanced	9	—
Total accrued interest included in accounts payable and accrued liabilities	9	859

Note 13 of the Interim Financial Statements includes a reconciliation of the changes in liabilities arising from the financing activities of the Company's debt.

(a) Revolving Facility - First Lien Loan

At September 30, 2024 and December 31, 2023, the Company has a senior secured credit facility ("First Lien Loan") with the Company's ultimate parent comprising US$65 million of senior secured revolving notes.

Borrowings under the First Lien Loan 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 First Lien Loan, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The First Lien Loan is denominated in USD, but accommodates CAD advances.

All notes were issued at par by Prairie Provident Resources Canada Ltd., a wholly-owned subsidiary of PPR, and are guaranteed by PPR and certain of its other subsidiaries and secured by a US$200 million debenture.

The note purchase agreement governing the First Lien Facility also limits the amounts the Company can borrow to a borrowing base amount, determined by the secured noteholder in their sole discretion based on their internal criteria and the estimated value of PPR's petroleum and natural gas properties in accordance with the lender's customary practices for oil and gas loans. Outstanding borrowings in excess of the borrowing base must be repaid with interest.

The Company's lenders have not re-determined the borrowing base following the Company's reserves evaluation as at December 31, 2023. The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration . 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. The USD advances bear interest at the Secured Overnight Financing Rate ("SOFR") plus 950 basis points and the CAD advances bear interest at the Canadian Overnight Repo Rate Average ("CORRA") (Canadian Dollar Offered Rate prior to the debt amendment above) plus 950 basis points. Standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

On September 13, 2024, the maturity date was extended to March 31, 2026 in addition to the following amendments to the First Lien Loan:

- Deferral of a portion of cash interest obligations on amounts owed under the First Lien Loan, through (i) 100% capitalization as additional principal of all accrued interest amounts through December 31, 2024; and (ii) 25% capitalization of 2025 accrued interest through December 31, 2025 if PPR raises $14.5 million to $16.5 million of equity by March 31, 2025 (inclusive of equity raised through the Rights Offering noted in Note 11); or (iii) up to 50% of 2025 accrued interest through December 31, 2025 if PPR raises at least $16.5 million of equity by March 31, 2025 (inclusive of equity raised through the Rights Offering) as additional principal of all accrued interestamounts;

- In consideration of the debt amendments, a $1.5 million debt amendment fee (the "Amendment Fee") payable to the noteholder at the earliest of (i) the March 31, 2026 maturity date; (ii) the date on which the other obligations of the First Lien Loan are settled; or (iii) the date on which an event of default occurs. The Amendment Fee forms part of the First Lien Loan and bears the same interest as the CAD advances; and

- Adjustment of financial covenants, to replace existing covenants with new measures and thresholds that align with the Company's current expectations for the remaining term to maturity. The amended covenants are outlined below.

As at September 30, 2024, the Company had $nil (December 31, 2023 - $nil) available borrowing capacity under the First Lien Loan. The First Lien Loan is considered fully drawn as the lender indicated that no further borrowings are available thereunder.

(b) Second Lien Notes

On March 30, 2023, the Company completed a second lien financing of the 2023 PPR recapitalization and issued US$3.6 million of notes (the "Second Lien Notes") with Prudential Capital Energy Partners, L.P., a subsidiary of PPR's ultimate parent.

The Second Lien Notes bear interest at the SOFR plus 1150 basis points. Interest on the Second Lien Notes must be paid in kind while the First Lien Loan remains 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.

On September 13, 2024, the maturity date of the Second Lien Notes was extended to September 30, 2026 in addition to other amendments to the Second Lien Notes including an adjustment of financial covenants, to replace existing covenants and align with the First Lien Note covenants. The amended covenants are outlined below.

On September 27, 2024, the US$2.3 million second tranche was settled and repaid through a C$3.1 million offset against the proceeds received from the $10 million PCEP Common Share subscription (see the "Shareholders' Equity (Deficit)" section below). The Company issued US$0.15 million of additional notes representing accrued indebtedness on the second tranche note (the "Additional Notes") repayable on the extended September 30, 2026 maturity date. The Additional Notes are non-interest bearing, not subject to a target return and not subject to a deferred compensation fee.

(c) Gain on extinguishment and revaluation of financial liabilities

(i) 2023 Recapitalization

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization") (see Note 9 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 nine months ended September 30, 2023. The change in the fair value of the modified liability up to the date the Recapitalization closed resulted in a gain of $10.1 million during the nine months ended June 30, 2023.

(ii) 2024 Debt Amendments

As described above, the First Lien Loan and Second Lien Notes were amended on September 13, 2024. Under IFRS 9, *Financial Instruments,* the amendments were recognized as substantial modifications of financial liabilities and accounted for as an extinguishment. As such, the previously recorded debt liabilities were derecognized in full and the amended debt liabilities were recognized at fair value (see Fair Value of Financial Instruments in Note 17 of the Interim Financial Statements). Subsequent to the fair value recognition of the amended debt, the Company recognizes the debt at amortized cost using the effective interest rate method on expected cash flows.

For the First Lien Loan, for the three and nine month periods ended September 30, 2024, the Company recognized a $7.1 million gain on extinguishment of financial liabilities in net income (loss) in derecognizing the carrying amounts of the previous USD and CAD Advances, derecognizing the previous accrued interest payable on these advances now capitalized to the principal of the amended debt and in recognizing the amended USD Advance, CAD Advance and Amendment Fee Advanced at fair value.

For the Second Lien Notes, for the three and nine month periods ended September 30, 2024, the Company recognized a $4.3 million gain on extinguishment in net income (loss) in derecognizing the carrying amounts of the previous first two tranches of Second Lien Notes USD and CAD Advances, derecognizing the previous Second Lien Notes and recognizing the amended Second Lien Notes at fair value.

(iii) Settlement of Second Lien Note tranche 2

As described above, the second tranche of the Senior Loan Notes was settled on September 27, 2024 and Additional Notes were issued for the residual accrued interest payable on the second tranche notes. For the three and nine month periods ended September 30, 2024, the Company recognized a $0.4 million loss included in the gain on extinguishment of financial liabilities in net income (loss) in derecognizing the carrying amount of the previous second carrying amount and recognizing the Additional Notes for the residual indebtedness at fair value.

(d) Covenants

As described above, the amended September 13, 2024 debt agreements of the First Lien Loan and the Second Lien Notes and related parent and subsidiary guarantees now align the various financial and non-financial 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.

The revised financial covenant thresholds of the Company are as follows:

Financial Covenant	First Lien Loan Requirement	Second Lien Notes Requirement	As at September 30, 2024
Minimum EBITDAX[1]			
For the period of four fiscal quarters most recently ended:			Not applicable
Quarter ending Dec 31, 2024	Exceed $6.0 million	Exceed $5.4 million	
Quarter ending Mar 31, 2025	Exceed $12.0 million	Exceed $10.8 million	
Quarter ending Jun 30, 2025	Exceed $19.0 million	Exceed $17.1 million	
Quarter ending Sep 30, 2025	Exceed $28.0 million	Exceed $25.2 million	
Quarter ending Dec 31, 2025	Exceed $30.0 million	Exceed $27.0 million	
Quarter ending Mar 31, 2026	Exceed $30.0 million	Exceed $27.0 million	
Total Leverage Ratio[2]			
For the period of four fiscal quarters most recently ended:			Not applicable
Quarter ending Dec 31, 2024	Greater than 10.00	Greater than 10.50	
Quarter ending Mar 31, 2025	Greater than 6.00	Greater than 6.50	
Quarter ending Jun 30, 2025	Greater than 4.50	Greater than 5.00	
Quarter ending Sep 30, 2025	Greater than 3.25	Greater than 3.75	
Quarter ending Dec 31, 2025	Greater than 2.50	Greater than 3.00	
Quarter ending Mar 31, 2026	Greater than 2.50	Greater than 3.00	
Minimum Liquidity			
Monthly from Sep 2024 onwards	Minimum of C$0.5 million in the form of unrestricted cash and/or unrestricted cash equivalents	Not applicable	In compliance
Minimum Production[3]			
For the months ended:			Not applicable
Oct-2024	At least 2,000 boe/d	At least 1,800 boe/d	
Nov-2024	At least 2,250 boe/d	At least 2,025 boe/d	
Dec- 2024 through Feb- 2025	At least 3,000 boe/d	At least 2,700 boe/d	
Mar-2025 through Jul-2025	At least 2,500 boe/d	At least 2,250 boe/d	
Aug-2025 through Oct-2025	At least 3,000 boe/d	At least 2,700 boe/d	
Nov-2025 through Mar-2026	At least 2,500 boe/d	At least 2,250 boe/d	

[1] Under the debt agreements, EBITDAX for any period means consolidated net income (loss) for such period plus (b) to the extent deducted in determining consolidated net income, financing Charges, exploration expenses, income taxes, depreciation, depletion, amortization and other non-cash items of expense for such period (including any provision for the reduction in the carrying amount of assets recorded in accordance with Generally Accepted Accounting Practice and including non-cash charges resulting from share-based compensation and write downs on assets and non-cash losses resulting from outstanding risk management derivative contracts for such period, losses attributable to extraordinary and non-recurring losses for such period minus (c) all non-cash items of income which were included in determining such consolidated net Income (including non-cash gains resulting from the outstanding risk management derivative contracts and earnings attributable to extra-ordinary and non-recurring gains for such period; provided that such EBITDAX shall be subject to pro forma adjustments for material acquisitions and dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

[2] Under the debt agreements, the Total Leverage Ratio means the ratio as of the last day of any fiscal quarter of the Company, the ratio of (i) adjusted indebtedness at such time (including, for clarity, all First Lien Loans and Second Lien Notes), plus current liabilities at such time, less current assets at such time, to (ii) EBITDAX for the period of four fiscal quarters most recently ended.

[3] Production means an average daily hydrocarbon production volume, measured in barrels of oil equivalent per day (boe/d) (with 6,000 cubic feet of natural gas deemed to be one barrel of oil equivalent).

Prior to the debt amendments on September 13, 2024, the Company received waivers allowing for the deferral of previously due interest payments to September 20, 2024 and removing the requirement to comply with the past Senior Leverage ratio as of June 30, 2024. It also deferred the Company's requirement to comply with certain non-financial covenants until September 30, 2024.

Shareholders' Equity (Deficit)

At September 30, 2024, PPR had consolidated share capital of $157.3 million (December 31, 2023 – $147.3 million) and had 1,116 million (December 31, 2023 – 715.6 million) outstanding common shares.

As at September 30, 2024, 5.2 million stock options (December 31, 2023 – 4.5 million) were outstanding with a weighted average exercise price of $0.10 per share, of which 1.12 million were exercisable at a weighted average exercise price of $0.21 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at September 30, 2024, 3.3 million RSUs (December 31, 2023 – 2.1 million) 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 September 30, 2024, 3.0 million (December 31, 2023 – 3.5 million) DSUs were outstanding.

As of the date of this MD&A, there are 1,196 million common shares, 5.2 million stock options, 3.3 million RSUs, 3.0 million DSUs, and 48.0 million warrants outstanding.

On September 13, 2024, the Company announced a $13.2 million rights offering (the "Rights Offering") supported by participation commitments of $12 million, comprised of $11.6 million from its largest shareholder, PCEP, and $400,000 from directors and management, as well as complementary amendments to its outstanding debt (see the "Debt" section above).

(i) Rights Offering

Pursuant to the Rights Offering, each holder of record of PPR Common Shares at the close of business on September 24, 2024 (the "Record Date") will receive one subscription right (a "Right") for each common share held. Each Right will entitle the holder to subscribe for 0.739474 of a Common Share, at a subscription price (the "Subscription Price") of $0.025 per whole Common Share (the "Basic Subscription Privilege"). Rights are exercisable for whole Common Shares only, and holders will therefore need to exercise 1.352313 Rights to purchase one additional Common Share under the Basic Subscription Privilege. Up to 529,579,000 Common Shares are issuable under the Rights Offering for an aggregate Subscription Price, if fully subscribed, of $13,239,475. The Rights Offering expired on October 28, 2024.

(ii) Committed Participation

The Company's largest shareholder, PCEP, agreed to subscribe for its pro rata share (approximately 75.5%) of the Rights Offering, amounting to 400,000,000 Common Shares for an aggregate Subscription Price of $10.0 million (partially payable by way of a $3.13 million setoff in respect of a US$2.3 million advance under the Company's second lien note facility received in May 2024), and directors and management have agreed to subscribe for an aggregate of 16,000,000 common shares under the Rights Offering for an aggregate of Subscription Price of $400,000 (the "D&O Commitments").

PCEP exercised its Rights with respect to the Basic Subscription Privilege and on September 27, 2024 acquired an additional 400,000,000 Common Shares for $10.0 million subscription price. The subscription price was partially paid by way of a $3.13 million setoff against the US$2.3 million advance received in May 2024 under the Company's Second Lien Note facility, fully extinguishing that indebtedness (see the "Debt" section above), with the $6.87 million balance paid to PPR in cash.

Directors and management of the Company delivered and funded an additional $400,000 in subscriptions under the Rights Offering, for an aggregate of 16,000,000 Common Shares, which was closed on conclusion of the Rights Offering on October 30, 2024. At September 30, 2024, the $400,000 cash received for D&O Commitments is included in Restricted Cash and recognized as a Subscription Receipt liability.

In addition, PCEP also provided a $1.6 million standby commitment for the Rights Offering, to purchase up to 64,000,000 additional Common Shares, less the total number of Common Shares acquired under the Rights Offering on the exercise of Rights by holders other than PCEP and directors and management pursuant to the D&O Commitments (the "Standby Commitment").

On October 30, 2024, the Company completed its previously announced Rights Offering and Standby Commitment and issued an additional 80,000,000 Common Shares of the Company at a price of $0.025 per share for additional gross proceeds of $2.0 million (see the "Subsequent Events" section below). PCEP acquired 15,434,906 Common Shares under the Standby Commitment at the same subscription price of $0.025 per share for proceeds of $0.4 million. Of the 64,565,094 Common Shares purchased under the Rights Offering by shareholders other than PCEP, 16,600,046

Common Shares were acquired by directors and management of the Company under the Rights Offering. No fees or commissions were paid by the Company in connection with the Rights Offering or the Standby Commitment.

Following completion of the Rights Offering and Standby Commitment, there are 1,196,405,336 Common Shares issued and outstanding of which PCEP holds 956,360,015 Common Shares, or approximately 79.9% of the total Common Shares outstanding.

Capital Management, Liquidity and Going Concern

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.

The 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.

As described in the "Debt" and "Shareholders' Equity (Deficit)" sections above and the "Subsequent Events" section below, on September 13, 2024, the Company announced a $13.2 million Rights Offering supported by participation commitments of $12 million, comprised of $11.6 million from its largest shareholder, PCEP, and $400,000 from directors and management, as well as complementary amendments to its outstanding debt. PCEP exercised its Rights with respect to the Basic Subscription Privilege and on September 27, 2024 acquired an additional 400,000,000 Common Shares for $10.0 million subscription price.

On October 30, 2024, the Company completed the Rights Offering issuing a further 80,000,000 Common Shares for additional gross proceeds of $2.0 million, including a further 15,434,906 Common Shares acquired by PCEP, pursuant to a Standby Commitment, and 16,600,046 Common Shares that were acquired by directors and management of the Company.

In addition, on September 13, 2024, the Company agreed to amendments to its First Lien Loan extending the maturity to March 31, 2026, providing deferral of certain cash interest obligations owed under the First Lien Loan, capitalization as additional principal of accrued interest through September 13, 2024, and adjustment of financial covenants to replace existing covenants with new measures and thresholds that align with the Company's current expectations for the remaining term to maturity. Amendments have also been agreed with respect to the Company's outstanding Second Lien Notes to extend the maturity date to September 30, 2026 and amend the covenants for alignment with the amended covenants under the First Lien Loan.

Following the debt amendments, at September 30, 2024, the Company's total principal debt was $60.4 million (December 31, 2023 - $71.0 million) with the First Lien Loan considered fully drawn as the lender indicated that no further borrowings are available thereunder (see the "Debt" section above).

Prior to these debt amendments, the Company required multiple waivers allowing for the deferral of previously due interest payments and removing the requirement to comply with certain financial and non-financial covenants.

Despite these efforts by the Company and with the Company committed to a two-well drilling program in the Basal Quartz formation that spud subsequent to September 30, 2024, PPR 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. In the event of default under both the First Lien Loan and the Second Lien Notes, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

The Company recognizes the significance of PPR's cash flows and continues to actively assess a variety of strategies and options to effectively manage its capital, however, there is no guarantee that the Company will be successful in these efforts.

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 the above 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.

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 nine months ended September 30, 2024, there was no material change to the Company's commitments or contractual obligations as disclosed in the Annual Financial Statements.

Related Party Transactions

PCEP Canadian Holdco, LLC is the immediate holding and parent company of PPR. Please see the "Shareholders' Equity (Deficit)" section above and the "Subsequent Events" section below with regards to PCEP's participation in the Rights Offering and resulting Common Share subscription in September 2024, as well as its Committed Participation and further participation in the Rights Offering in October 2024.

The First Lien Loan is held with PGIM, Inc., the ultimate parent of PPR. The First Lien Loan and related transactions are described in the "Debt" section above.

The Second Lien Notes are held by Prudential Capital Energy Partners, L.P., a subsidiary of PPR's ultimate parent, PGIM. The Second Lien Notes and related transactions are described in the "Debt" section above.

Subsequent Events

Closing of Rights Offering

On October 30, 2024, the Company completed its previously announced Rights Offering (see the "Shareholders' Equity (Deficit)" section above).

In addition to the 400,000,000 Common Shares subscribed to by PCEP on September 27, 2024, PPR issued an additional 80,000,000 Common Shares of the Company pursuant to the Rights Offering and the Standby Commitment at a price of $0.025 per share for additional gross proceeds of $2.0 million. In addition to its 400,000,000 Common Shares subscription on the early exercise of its basic subscription privilege, PCEP acquired 15,434,906 Common Shares under the Standby Commitment at the same subscription price of $0.025 per share. Of the 64,565,094 Common Shares purchased under the Rights Offering by shareholders other than PCEP, 16,600,046 Common Shares were acquired by directors and management of the Company under the Rights Offering. No fees or commissions were paid by the Company in connection with the Rights Offering or the Standby Commitment.

Following completion of the Rights Offering and Standby Commitment, there are 1,196,405,336 Common Shares issued and outstanding of which PCEP holds 956,360,015 Common Shares, or approximately 79.9% of the total Common Shares outstanding.

Management and Board of Director Changes

On October 30, 2024, the Company announced the appointment of Dale Miller as Executive Chairman of PPR upon the former President and Chief Executive Officer's resignation and the former Chairman's retirement. Mr. Miller will oversee all activities of PPR and lead its management team.

In addition, PPR announced the appointment of Amber Wright as Vice President, Operations & Engineering. Ms. Wright will be responsible for all development, production operations and engineering activities of PPR.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	**2024 Q3**	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Production Volumes								
Crude oil and condensate (bbl/d)	**1,118**	993	1,495	2,049	2,155	2,292	2,270	2,303
Natural gas (Mcf/d)	**5,846**	5,923	6,498	7,374	7,685	7,518	8,180	8,014
Natural gas liquids (bbl/d)	**81**	65	58	135	88	97	100	114
Total (boe/d)	**2,173**	2,045	2,636	3,413	3,523	3,641	3,733	3,753
% Liquids	**55 %**	52 %	59 %	64 %	64 %	66 %	63 %	64 %
Financial								
Petroleum and natural gas sales	**9,651**	9,488	12,996	18,382	21,701	19,615	20,105	24,642
Royalties	**(1,623)**	(1,517)	(1,871)	(3,455)	(3,217)	(1,764)	(3,432)	(5,301)
Unrealized gain/ (loss) on derivatives	**—**	—	416	126	(551)	(80)	2,110	5,139
Realized gain/(loss) on derivatives	**—**	—	(485)	(302)	(320)	285	(594)	(4,305)
Revenue net of realized and unrealized gains (losses) on derivatives	**8,028**	7,971	11,056	14,751	17,613	18,056	18,189	20,175
Net income (loss)	**5,164**	(6,522)	(4,602)	(16,484)	(2,690)	(8,798)	7,853	(2,890)
Per share – Basic ($)	**0.01**	(0.01)	(0.01)	(0.02)	—	(0.02)	0.06	(0.02)
Per share – Diluted ($)	**0.01**	(0.01)	(0.01)	(0.02)	—	(0.02)	0.05	(0.02)
AFF[1]	**264**	(1,577)	(632)	(1,562)	81	302	(1,340)	(2,681)
Per share – Basic ($)	**—**	—	—	—	—	—	(0.02)	(0.02)
Per share – Diluted ($)	**—**	—	—	—	—	—	(0.02)	(0.02)
AFF excluding decommissioning settlements[1]	**803**	(1,223)	411	190	4,602	1,863	(810)	398
Per share – Basic ($)	**—**	—	—	—	0.01	—	(0.01)	—
Per share – diluted	**—**	—	—	—	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 petroleum and natural gas sales has fluctuated primarily due to changes in production and movement in commodity prices. The Company's production has varied due to its capital development, property dispositions and workover program at its core areas and natural declines. Movements in petroleum and natural gas sales 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.

During the third quarter of 2024, petroleum and natural gas sales increased from the prior quarter mainly to the workover program of the previous quarter, offset partially by lower average realized prices.

First and second quarter 2024 petroleum and natural gas sales 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 petroleum and natural gas revenue, partially offset by lower expenses and a gain on property dispositions.

Fourth quarter 2023 petroleum and natural gas sales 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 petroleum and natural gas sales 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 petroleum and natural gas sales 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 petroleum and natural gas sales 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 petroleum and natural gas sales 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.

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 Executive Chairman and/or 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 Company's Executive Chairman has concluded that the Company's ICFR was effective as of September 30, 2024. There have been no changes in the Company's ICFR during the period from January 1, 2024 to September 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 third 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)	September 30, 2024	December 31, 2023
Current assets	20,186	66,386
Less: assets held for sale	—	(50,431)
Current assets excluding current derivatives instruments	20,186	15,955
Less: accounts payable and accrued liabilities	(18,789)	(23,964)
Working capital	1,397	(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 September 30,		Nine Months Ended September 30,	
($000s)	2024	2023	2024	2023
Petroleum and natural gas sales	9,651	21,701	32,135	61,420
Royalties	(1,623)	(3,217)	(5,011)	(8,413)
Operating expenses	(5,386)	(9,037)	(20,953)	(31,404)
Operating netback	2,642	9,447	6,171	21,603
Realized gains (losses) on derivatives	—	(320)	(485)	(629)
Operating netback, after realized gains (losses) on derivatives	2,642	9,127	5,686	20,974

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 September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Net cash from (used in) operating activities	**869**	(1,060)	**(2,784)**	(13,466)
Changes in non-cash working capital	**(579)**	1,090	**598**	11,805
Transaction, restructuring and other costs	**(26)**	51	**241**	704
Adjusted funds flow ("AFF")	**264**	81	**(1,945)**	(957)
Decommissioning liability settlements	**539**	4,521	**1,936**	6,612
AFF - excluding decommissioning liability settlements	**803**	4,606	**(9)**	4,278

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 First Lien Loan and Second Lien Notes. "Bank Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements and means net income (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 September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Net income (loss) before income tax	**5,164**	(2,690)	**(5,960)**	(3,635)
Add (deduct):				
Finance costs	**3,752**	3,568	**10,934**	14,368
Depletion and depreciation of property and equipment	**2,154**	6,208	**6,661**	13,507
Depreciation on right-of-use assets	**85**	48	**255**	412
Exploration and evaluation expense	**—**	—	**—**	28
Unrealized loss (gain) on derivatives	**—**	551	**(416)**	(1,480)
Impairment expense (impairment reversal)	**362**	(1,232)	**601**	11,847
Foreign exchange (gain) loss	**12**	735	**341**	183
Change in other liabilities	**(78)**	152	**553**	443
Share–based compensation expense	**62**	(226)	**170**	152
Gain on sale of properties	**—**	—	**(2,302)**	—
Gain (loss) on warrant liability	**—**	188	**—**	(1,870)
Non-cash other income	**—**	—	**—**	(139)
Transaction and restructuring costs	**(26)**	51	**241**	704
Gain on extinguishment and settlement of financial liabilities	**(10,854)**	—	**(10,854)**	(10,369)
Gain on revaluation of financial liabilities	**—**	—	**—**	(10,042)
Bank Adjusted EBITDAX	**633**	7,353	**224**	14,109

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 September 30,		Nine Months Ended September 30,	
($000s)	**2024**	2023	**2024**	2023
Exploration and evaluation expenditures	**—**	—	**—**	—
Property and equipment expenditures	**656**	—	**1,674**	6
Asset disposition (net of acquisitions)	**(630)**	(312)	**(24,353)**	(564)
Net capital expenditures	**26**	(312)	**(22,679)**	(558)

Net Debt

Net debt is a non-IFRS measure, defined as debt, 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)	**September 30, 2024**	December 31, 2023
Working capital (deficit)[1]	**1,397**	(8,009)
Debt	**(51,403)**	(72,631)
Total net debt	**(50,006)**	(80,640)

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