Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2023

Dated: November 8, 2023

Advisories

In this management's discussion and analysis ("MD&A"), unless otherwise indicated or the context otherwise requires, the terms "we", "us", "our", "PPR", "Prairie Provident" and "the Company" refers to Prairie Provident Resources Inc., as parent corporation, together with its wholly-owned subsidiaries, Prairie Provident Resources Canada Ltd., Lone Pine Resources Inc., Lone Pine Resources (Holdings) Inc., Arsenal Energy USA Inc. and Arsenal Energy Holding Ltd.

The following MD&A of PPR provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three and nine months ended September 30, 2023. This MD&A is dated November 8, 2023, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 (the "Interim Financial Statements"), the audited consolidated financial statements of PPR as at and for the year ended December 31, 2022 (the "2022 Annual Financial Statements") and the 2022 annual MD&A (the "Annual MD&A"). Additional information relating to PPR, including the Company's December 31, 2022 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

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

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

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

Abbreviations

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

bbl	barrel
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

($000s except per unit amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Production Volumes				
Oil & condensate (bbl/d)	2,155	2,500	2,237	2,582
Natural gas (Mcf/d)	7,685	8,857	7,648	8,869
Natural gas liquids (bbl/d)	88	120	95	120
Total (boe/d)	3,523	4,096	3,606	4,180
% Liquids	64 %	64 %	65 %	65 %
Average Realized Prices				
Oil & condensate ($/bbl)	97.97	104.77	88.93	112.83
Natural gas ($/Mcf)	2.60	4.27	2.69	5.66
Natural gas liquids ($/bbl)	54.77	77.99	57.85	83.00
Total ($/boe)	66.95	75.47	62.39	84.09
Operating Netback ($/boe)[1]				
Realized price	66.95	75.47	62.39	84.09
Royalties	(9.92)	(14.15)	(8.55)	(13.23)
Operating costs	(27.88)	(31.36)	(31.90)	(28.99)
Operating netback	29.15	29.96	21.94	41.87
Realized gain (loss) on derivatives	(0.99)	(16.86)	(0.64)	(18.58)
Operating netback, after realized gain (loss) on derivatives	28.16	13.10	21.30	23.29

Third Quarter 2023 Financial & Operational Highlights

- Production averaged 3,523 boe/d (64% liquids) in the quarter, which was 14% or 573 boe/d lower than Q3 2022, primarily due to capital constraints, shut-in production and natural declines.
- Operating netback[1] for Q3 2023 was $9.4 million ($29.15 per boe) before the impact of realized losses on derivatives, reflecting a 16% decrease relative to Q3 2022, primarily due to lower realized pricing and production volumes in 2023. Q3 2023 operating expense was $27.88 per boe, a decrease of $3.48 per boe from Q3 2022 driven by lower production.
- Net loss totaled $2.7 million in the third quarter of 2023, compared to net loss of $1.5 million in Q3 2022. Third quarter 2023 net loss was attributable to lower production and realized prices in addition to the net loss position on the Company's derivative instruments at September 30, 2023 compared to prior period.
- Adjusted funds flow ("AFF")[1] excluding $4.5 million of decommissioning settlements, totaled $4.6 million ($0.01 per basic and diluted share) in Q3 2023, a 154% increase from the same quarter of 2022, primarily the result of greater decommissioning expenditures incurred.
- Cash flow used in operations decreased to ($0.3) million in the third quarter of 2023 from cash flow from operating activities of $7.3 million in the third quarter of 2022. The decrease in cash flow from operations was primarily due to the result of lower commodity prices and production, higher decommissioning expenditures and the change in non-cash working capital.

[1] Operating netback and AFF 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,	
	2023	2022	2023	2022
Oil & condensate (bbl/d)	2,155	2,500	2,237	2,582
Natural gas (Mcf/d)	7,685	8,857	7,648	8,869
Natural gas liquids (bbls/d)	88	120	95	120
Total (boe/d)	3,523	4,096	3,606	4,180
Liquids Weighting	64 %	64 %	65 %	65 %

Average production for the three and nine months ended September 30, 2023 was 3,523 boe/d (64% liquids), and 3,606 boe/d (65% liquids), representing a decrease of 14% compared to the same periods in 2022. The decrease was primarily driven by minimal capital activity, shut-in production and natural declines.

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per unit amounts)	2023	2022	2023	2022
Revenue				
Oil & condensate	19,420	24,097	54,310	79,530
Natural gas	1,839	3,481	5,617	13,707
Natural gas liquids	442	861	1,493	2,719
Oil and natural gas revenue	21,701	28,439	61,420	95,956
Average Realized Prices				
Oil & condensate ($/bbl)	97.97	104.77	88.93	123.83
Natural gas ($/Mcf)	2.60	4.27	2.69	5.66
Natural gas liquids ($/bbl)	54.77	77.99	57.85	83.00
Total ($/boe)	66.95	75.47	62.39	84.09
Benchmark Prices				
Crude oil - WTI ($/bbl)	110.32	119.53	104.11	125.80
Crude oil - Edmonton Light Sweet ($/bbl)	107.29	116.68	100.65	123.31
Crude oil - WCS ($/bbl)	93.19	93.56	80.42	105.52
Natural gas - AECO daily index - 5A ($/Mcf)	2.61	4.16	2.76	5.38
Exchange rate - US$/CDN$	0.75	0.77	0.74	0.78

PPR's third quarter 2023 revenue decreased by 24% or $6.7 million from the third quarter of 2022, primarily due to a decrease in realized oil and natural gas prices and a 14% decline in production. Oil & condensate revenue for the third quarter of 2023 decreased by 19%, compared to the corresponding period in 2022, mainly due to lower realized oil & condensate prices production volumes. PPR's product prices generally correlate to changes in the benchmark prices. In the third quarter of 2023, the average WTI and Edmonton Light Sweet prices decreased by 8% or $9.21 per bbl and $9.31 per bbl, respectively, from the same period in 2022.

Third quarter 2023 conventional natural gas revenue decreased by 47% or $1.6 million, compared to the same quarter in 2022, primarily driven by a 39% decrease in realized natural gas prices during the period along with lower production volumes.

The Company's average realized price per boe for the third quarter of 2023 decreased by 11% or $8.52 per boe compared to the same period in 2022, correlating to decreases in the realized prices across all products during the period.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Royalties	**3,217**	5,333	**8,413**	15,097
Per boe	**9.92**	14.15	**8.55**	13.23
Percentage of revenue	**14.8 %**	18.8 %	**13.7 %**	15.7 %

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

Third quarter and year-to-date 2023 royalties decreased by $2.1 million and $6.7 million, respectively, compared to the corresponding periods in 2022, primarily due to lower production volumes. Royalties per boe decreased $4.23 per boe and $4.68 per boe, respectively, as a result of decreased commodity prices and production.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. In addition, PPR's credit facilities require the Company to maintain certain level of hedges on a rolling 24 month basis. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Realized loss on derivatives	**(320)**	(6,355)	**(629)**	(21,203)
Unrealized gain (loss) on derivatives	**(551)**	8,200	**1,480**	2,143
Total gain (loss) on derivatives	**(871)**	1,845	**851**	(19,060)
Per boe				
Realized loss on derivatives	**(0.99)**	(16.86)	**(0.64)**	(18.58)
Unrealized gain (loss) on derivatives	**(1.70)**	21.76	**1.50**	1.88
Total gain (loss) on derivatives	**(2.69)**	4.90	**0.86**	(16.70)

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 (loss) on derivatives recognized for the three and nine months ended September 30, 2023, was due to a change in commodity futures prices at September 30, 2023 relative to the underlying prices of the derivative contracts.

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. Therefore, the Company has entered into commodity hedges predominantly in US dollars to maintain such economic hedges.

As at September 30, 2023, the Company held the following outstanding derivative contracts:

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/ bbl
Crude Oil Put Spread Options (No Ceiling)			
October 01, 2023 - December 31, 2023	US$ WTI	600	$55.00/65.00
January 01, 2024 - March 31, 2024	US$ WTI	1,000	$50.00/60.00
Crude Oil Three-way Collars			
October 01, 2023 - December 31, 2023	US$ WTI	500	$55.00/65.00/105.00

Remaining Term	Reference	Total Daily Volume (MMBtu & GJ)	Weighted Average Price/ MMBtu & GJ
Natural Gas Three-way Collars			
October 01, 2023 - December 31, 2023	US$ NYMEX	1,700	$2.25/2.75/4.65/4.90
Natural Gas Collars			
October 01, 2023 – October 31, 2023	CAD$ AECO 5A	2,500	$3.65

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

Operating Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Lease operating expense	**6,530**	8,679	**24,172**	23,680
Transportation and processing	**1,318**	1,888	**3,947**	5,292
Production and property taxes	**1,189**	1,252	**3,285**	4,113
Total operating expenses	**9,037**	11,891	**31,404**	33,085
Per boe	**27.88**	31.36	**31.90**	28.99

During the three months ended September 30, 2023, lease operating expenses decreased by 25% or $2.1 million, largely as a result of lower production compared to the same period in 2022. During the nine months ended September 30, 2023, lease operating expenses increased 2% or $0.5 million, primarily attributable to higher power and remediation costs, partially offset by lower production and reduced repairs and maintenance costs during 2023.

Transportation and processing expenses for the three and nine months ended September 30, 2023, decreased by 30% or $0.6 million, and 25% or $1.3 million, respectively, compared to the same periods in 2022. The decrease is primarily attributable to lower production volumes and lower associated trucking costs during 2023.

On a per boe basis, total operating expenses for the three months ended September 30, 2023 decreased $3.48 per boe or 11% compared to the same period in 2022 due to lower expenses, partially offset by lower production volumes. During the nine months ended September 30, 2023, total operating expenses decreased from $33.1 million to $31.4 million but increased $2.91 per boe or 10% compared to the same period in 2022 due to lower production volumes.

Operating Netback[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ per boe)	**2023**	2022	**2023**	2022
Revenue	**66.95**	75.47	**62.39**	84.09
Royalties	**(9.92)**	(14.15)	**(8.55)**	(13.23)
Operating costs	**(27.88)**	(31.36)	**(31.90)**	(28.99)
Operating netback	**29.15**	29.96	**21.94**	41.87
Realized losses on derivatives	**(0.99)**	(16.86)	**(0.64)**	(18.58)
Operating netback, after realized losses on derivatives	**28.16**	13.10	**21.30**	23.29

[1] Operating netback is a non-IFRS measures and is defined below under "Other Advisories"

PPR's operating netback after realized losses on derivatives increased $15.06 per boe from $13.10 per boe for the three months ended September 30, 2022 to $28.16 per boe for the three months ended September 30, 2023, primarily attributable to lower realized losses on the Company's derivatives, partially offset by lower realized pricing.

For the nine months ended September 30, 2023, operating netback after realized losses on derivatives decreased $1.99 per boe compared to same period in 2022, due to lower realized pricing in 2023 partially offset by lower realized losses on the Company's derivatives.

General and Administrative Expenses ("G&A")

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Gross cash G&A expenses	**1,984**	1,785	**7,432**	6,293
Gross share-based compensation expense	**(226)**	92	**152**	204
Less amounts capitalized [1]	**(58)**	(296)	**(124)**	(866)
Net G&A expenses	**1,700**	1,581	**7,460**	5,631
Per boe	**5.25**	3.97	**7.58**	4.75

[1] Amounts capitalized include costs associated with the Company's abandonment program.

For the three months ended September 30, 2023, gross cash G&A increased by $0.2 million or 11%, and $1.1 million or 18%, respectively, compared to the same periods in 2022. The increase in the nine months ended September 2023 is largely due to additional costs in professional fees related to the Company's recapitalization efforts which have occurred in the current year.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and the timing and quantity of forfeitures. Gross stock-based compensation decreased by $0.3 million and $0.1 million, respectively, for the three and nine months ended September 30, 2023, compared with the same period in 2022, primarily due to forfeitures. There were nil and 0.6 million in new grants issued under the Company's share-based compensation program during the three and nine months ended September 30, 2023, respectively.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. The $0.7 million decrease in the first nine months of 2023, compared to the first nine months of 2022, is a result of reduced capital activity.

Finance Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	2023	2022	2023	2022
Cash interest expense	2,505	1,560	7,931	4,203
Deferred interest expense	207	1,213	2,541	2,711
Non-cash interest on debt modification and warrant liabilities	20	1,098	1,365	3,836
Amortization of financing costs	-	50	34	149
Non-cash interest on lease liabilities	2	31	18	146
Accretion – decommissioning liabilities	832	724	2,475	1,929
Accretion – other liabilities	2	2	4	7
Total finance cost	3,568	4,678	14,368	12,981
Interest Expense (defined below) per boe	8.37	7.36	10.64	6.06
Non-cash interest and accretion expense per boe	2.64	5.06	3.96	5.32

Deferred interest expense is interest expense which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance with the underlying borrowing agreements. Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. Interest Expense decreased $0.1 million in the three months ended September 30, 2023, and increased $3.6 million in the nine months ended September 30, 2023, compared to the same respective periods in 2022. The increase during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, was attributable to the issuance of the second lien notes in March 2023 and the increase in all borrowing rates including an increase on its Senior Notes which increased to 8% in August 2022. The Senior Notes were settled in May 2023.

The weighted average effective interest rate for the three and nine months ended September 30, 2023, was 14.9% and 15.8%, respectively, (2022 – 7.0% and 6.2%, respectively) and is calculated based on cash and deferred interest expense on the Company's debt borrowings and excludes non-cash interest on financing leases and accretion expense.

Accretion – decommissioning liabilities increased by $0.1 million and $0.5 million during the three and nine months ended September 30, 2023, compared to the same periods in 2022, due to an increase in the risk-free discount rate.

Loss on Foreign Exchange

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	2023	2022	2023	2022
Realized loss on foreign exchange	92	156	33	209
Unrealized loss on foreign exchange	643	4,979	150	6,289
Loss on foreign exchange	735	5,135	183	6,498

Foreign exchange losses incurred in the three and nine months ended September 30, 2023 and 2022 related primarily to the translation impact on US dollar denominated borrowings (see "Capital Resources and Liquidity" section below). The Company's unrealized loss on foreign exchange decreased in the three and nine months ended September 2023 due to the extinguishment of the US dollar denominated senior notes in May 2023 as part of the recapitalization transaction.

Exploration and Evaluation ("E&E") Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	2023	2022	2023	2022
Exploration and evaluation expense	-	122	28	938
Per boe	-	0.32	0.03	0.82

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

Depletion and Depreciation

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Depletion and depreciation	**6,208**	5,512	**13,507**	17,052
Depreciation on right-of-use assets	**48**	450	**412**	1,402
Total depreciation and depletion expense	**6,256**	5,962	**13,919**	18,454
Per boe	**15.48**	15.82	**14.14**	16.17

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. Depletion expenses are calculated using depletion rates and production volumes applicable to each depletable unit. The decreases in depletion expense in the nine months ended September 30, 2023, compared to the same period of 2022, is driven by lower production and decreases in the book value of the Company's assets primarily due the impairment loss recorded in the second quarter of 2023 to the Evi CGU and the reductions in the Company's ARO estimate.

Impairment (Reversal)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Impairment (reversal)	**(1,232)**	-	**11,847**	(17,671)

No indicators of impairment (or impairment reversal) were present at September 30, 2023 for any of the Company's CGUs.

During the three and nine months ended September 30, 2023, the Company recognized non-cash impairment reversal of $1.2 million and $2.6 million, respectively, related to changes in decommissioning liabilities of certain properties that had a zero carrying value (September 30, 2022 – nil and $2.7 million, respectively).

At June 30, 2023, the Company assessed its production and development assets and found indicators of impairment on its Evi GCU. 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. For additional details on the fair value hierarchy, please refer to Note 3(g) within the Annual Financial Statements.

Net Income (Loss)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per share)	**2023**	2022	**2023**	2022
Net income (loss)	**(2,690)**	(1,503)	**(3,635)**	488
Per share – basic	**-**	(0.01)	**(0.01)**	-
Per share – diluted	**-**	(0.01)	**(0.01)**	-

Net loss for the third quarter of 2023 was $2.7 million, compared to net loss of $1.5 million in the same quarter of 2022 primarily attributable to lower production and realized prices in addition to net loss position on the Company's derivative instruments at September 30, 2023. For the nine months ended September 30, 2023, net loss was $3.6 million compared to net income of $0.5 million in the same period of 2022, attributable to decreased revenue, impairment expense recorded, and other non-cash items recognized as part of the Company's Recapitalization in May 2023. In the nine months ended September 30, 2022, the Company recognized $17.7 million in impairment reversals related to the recovery of commodity prices seen in the first quarter of 2022.

Net Capital Expenditures [1, 2]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Drilling and completion	-	3,820	-	10,357
Equipment, facilities and pipelines	-	3,398	-	6,448
Land and seismic	-	174	-	329
Capitalized overhead and other	-	317	6	885
Total capital expenditures	-	7,709	6	18,019
Asset dispositions (net of acquisitions)	(7)	(3)	(564)	(23)
Net capital expenditures	(7)	7,706	(558)	17,996

[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"

Net capital expenditures for the three and nine months ended September 30, 2023 were a nominal amount and ($0.6) million, respectively. Capital expenditures for the nine months ended September 30, 2023 primarily consisted of minor dispositions in various operating areas. As the Company focused on refinancing its debt and managing its working capital, minimal capital expenditures were incurred in comparison to the prior period.

Decommissioning Liabilities

PPR's decommissioning liabilities at September 30, 2023 were $99.5 million (December 31, 2022 - $114.2 million) to provide for future remediation, abandonment and reclamation of PPR's oil and gas properties. The decrease of $14.7 million from year-end 2022 was due to settlements of decommissioning obligations of $6.9 million and a change of estimate decrease of $10.3 million, offset by $2.5 million of accretion.

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

The Company estimated the undiscounted and inflation-adjusted future liabilities to be approximately $248.3 million (December 31, 2022 - $254.6 million) spanning over the next 55 years, based on an inflation rate of 1.8% (December 31, 2022 - 1.8%). Of the estimated undiscounted future liabilities, $21.1 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 September 30, 2023, the Company had a working capital deficit (as defined in "Other Advisories" below) of $7.1 million (December 31, 2022 – $11.1 million). The decrease in working capital deficit from December 31, 2022 resulted from the Company's ability to reduce its current liabilities through proceeds of the sale of common shares during the period as well as the completion of Second Lien Financing.

Revolving Facility

On March 29, 2023, PPR and the Revolving Facility lenders agreed to amend the maturity date to July 1, 2024 (December 31, 2022 - December 31, 2023). There was a requirement for the Company to complete an equity offering for minimum gross proceeds of $4.0 million prior to May 31, 2023 to avoid an event of default under the credit facility. The Company was able to meet this condition by completing an equity raise on May 16, 2023. The next scheduled borrowing base re-determination is scheduled for Spring 2024 based on the December 31, 2023 reserves evaluation, without limiting the lenders' right to require a redetermination at any time. No additional draws on the facility are permitted without consent of the lenders, in their sole discretion.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of PPR's oil and natural gas properties in accordance with the lenders' customary practices for oil and gas loans. If a borrowing base deficiency exists because of a re-determination, the lender is required to notify the Company of such shortfall. The Company may repay the shortfall amount by either making one installment within 90 days or six equal consecutive monthly installments beginning within 30 days after the Company's receipt of the borrowing base deficiency notice.

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

($000s)	September 30, 2023	December 31, 2022
USD Advances (US$19.0 million (December 31, 2022 – US$ 19.0 million))[1]	25,688	25,735
CAD Advances (US$30.0 million (December 31, 2022 – US$30.0 million))[1]	40,530	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2022 – US$0.4 million))[2]	543	541
Total principal and deferred – Revolving Facility	66,761	66,806

[1] Converted using the month end exchange rate of $1.00 USD to $1.35 CAD as at September 30, 2023 and $1.00 USD to $1.35 CAD as at December 31, 2022.

[2] Converted using the exchange rate at the time of borrowing of $1.00 USD to $1.35 CAD.

The change in borrowings from year-end 2022 were due to changes in foreign exchange rates.

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.

Borrowings under the Revolving Facility are repayable at the Company's election at par plus accrued interest and any applicable breakage costs. Repayments generally will not affect the aggregate commitment or borrowing base under the Revolving Facility, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The Revolving Facility is denominated in USD, but accommodates CAD advances up to $41.1 million. 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.

As at September 30, 2023, PPR had outstanding letters of credit of $4.2 million (December 31, 2022 - $4.2 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.

Subordinated Senior Notes

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization" - see Note 8 (d) of the December 31, 2022 financial statements). Under the Recapitalization, Senior Note amounts outstanding and associated warrants will be converted to equity upon the completion of an equity offering for a minimum of $4.0 million by May 31, 2023. Should the Company fail to complete the equity offering it would be in breach of its lending agreements. The Recapitalization has been accounted for as an extinguishment and as such, the previously recorded liabilities were derecognized and the modified liability was recorded at the fair value as at May 16, 2023. As a result of the extinguishment the Company recognized a gain of $10.3 million. The gain is net of $1.4 million of financing costs. The fair value of the Senior Notes was determined based on a probability weighted approach, factoring in the estimated likelihood of the debt being converted and the price at which it would converted, in several different scenarios. These included completion of the Recapitalization as announced and alternative scenarios with different conversion parameters or a default by the Company on its obligation to complete an equity raise for at least $4.0 million by May 31, 2023, which was completed on May 16, 2023. Consequently, the Company recalculated the fair value of the Senior Notes at May 16, 2023, immediately prior to extinguishment and a gain of $6.9 million was recognized on the revaluation. The gain is net of $0.4 million of financing costs. Concurrent with the extinguishment on May 16, 2023, 514.4 million common shares of the Company were issued at an agreed repayment price equal to $0.14 per common share.

Interest on the Senior Notes due 2024 (originally issued October 31, 2017 and November 21, 2018) was nil from Jan 2022 to March 2022, when it rose to 4% and then to 8% in August 2022. Interest on the Senior Notes due 2026 (originally issued December 21, 2020) is 12% per annum.

The following table provides a breakdown of Senior 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 $1.35 CAD as at September 30, 2023 and $1.00 USD to $1.35 CAD as at December 31, 2022.

($000s)	September 30, 2023	December 31, 2022
Senior Notes Issued October 31, 2017 (Principal - US$16.0 million (December 31, 2022 - US$16.0) Deferred Interest - US$5.8 million (December 31, 2022 - US$5.3))	-	28,911
Senior Notes Issued October 31, 2017 (Principal - US$16.0 million (December 31, 2022 - US$16.0) Deferred Interest - US$5.8 million (December 31, 2022 - US$5.3))	-	21,429
Senior Notes Issued December 21, 2020 (Principal - US$11.4 million (December 31, 2022 - US$11.4) Deferred Interest - US$3.5 (December 31, 2022 - US$3.1))	-	19,604
Unamortized amounts - Senior Notes	-	(10,401)
Total Senior Notes	-	59,543

In conjunction with the issuance of the Senior Notes due 2026, the Company issued a total of 34,292,360 warrants with an exercise price of $0.0192 per share for an eight-year term expiring on December 21, 2028. As part of the Recapitalization, the warrants were settled by conversion to equity upon the completion of the $4 million equity raise on May 16, 2023.

The warrants were previously classified as financial liabilities due to a cashless exercise provision and were measured at fair value upon issuance and at each subsequent reporting period, with the changes in fair value recorded in the consolidated statement of income (loss). The fair value of these warrants was determined using the Black-Scholes option valuation model. The value of the warrant liability as at September 30, 2023, was $nil (December 31, 2022 - $4.1 million).

Second Lien Notes

On March 30, 2023, the Company completed the Second Lien Financing of the Recapitalization and purchased US$3.6 million of Second Lien Notes. The Second Lien Notes have a maturity of December 31, 2024, and bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1150 basis points. Interest on the Second Lien Notes must be paid in kind while the Revolving Facility is outstanding. The Note purchase agreement provides for a payment of a deferred compensation fee on the later of maturity or prepayment and the date on which the Revolver Facility is fully repaid in an amount of US$2.9 million less actual interest and breakage costs incurred from the issue date, capped at an internal rate of return of 45% per annum.

The Second Lien Notes were initially recognized at a fair value which was lower than the face value of the notes. The fair value was calculated using the present value of expected future cash flows, discounted at 18.3%. The fair value measurement was non-recurring and the difference will be amortized over the term of the 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 $1.35 CAD as at September 30, 2023.

($000s)	September 30, 2023	December 31, 2022
Second Lien Notes Issued March 30, 2023	5,205	-

Covenants

The note purchase agreements for the Revolving Facility, the Second Lien Notes 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.

The Company's amended certain debt covenants during the third quarter of 2023 with the removal of the current ratio covenant and updating the senior leverage ratio covenant. The amended debt covenants for the revolving credit facility and the second lien notes, respectively, are below:

- Senior leverage ratio for the revolving credit facility and second lien notes, respectively, cannot exceed:
    - 5.00 to 1.00 and 5.25 to 1.00, respectively for the fiscal quarter ending September 30, 2023,
    - 3.50 to 1.00 and 3.75 to 1.00, respectively, for the fiscal quarter ending December 31, 2023,
    - 3.00 to 1.00 and 3.25 to 1.00, respectively, for the fiscal quarters thereafter.

The Company is in compliance with all financial covenants at September 30, 2023. The covenants are listed in the table below:

Financial Covenant	Revolving Facility Requirement	Second Lien Note Requirement	As at September 30, 2023
Senior Leverage	Cannot exceed 5.00 to 1.00	Cannot exceed 5.25 to 1.00	4.63 to 1.00
Asset Coverage	Cannot be less than 0.75 to 1.00	Cannot be less than 0.65 to 1.00	1.43 to 1.00

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

[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.

Shareholders' Equity

At September 30, 2023, PPR had consolidated share capital of $147.4 million (December 31, 2022 – $101.5 million) and had 715.3 million (December 31, 2022– 130.1 million) outstanding common shares. The Company had 48.0 million warrants outstanding as at September 30, 2023 (December 31, 2022 – 34.3 million).

As at September 30, 2023, 2.9 million (December 31, 2022 – 2.8 million) options were outstanding with a weighted average strike price of $0.20 per share, of which 0.9 million were exercisable at a weighted average strike price of $0.16 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at September 30, 2023, 1.1 million (December 31, 2022 – 1.8 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 September 30, 2023, 1.0 million (December 31, 2022 – 1.0 million) DSUs were outstanding.

As of the date of this MD&A, there are 715.3 million common shares, 1.0 million RSUs, 2.7 million stock options, 1.0 million DSUs, and 48.0 million warrants outstanding.

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. As outlined in Note 7, at September 30, 2023, the Company had nil borrowing capacity under the Revolving Facility.

On March 29, 2023, the Company negotiated a comprehensive debt restructuring with its lenders. The amended debt agreements provided for extensions of certain of the Company's debt facilities and conversion of its Senior Notes to equity should the Company complete a minimum $4.0 million equity raise by May 31, 2023. The Recapitalization was completed on May 16, 2023, ahead of its original May 31, 2023 deadline to avoid an event of default.

The Company remains in a challenging position with respect to its ability to meet its decommissioning liabilities, long-term debt obligations, and debt related financial covenants. With the Revolving Facility set to mature on July 1, 2024, and the Second Lien set to mature on December 31, 2024, the Company recognizes the significance of these upcoming maturities and is actively assessing strategies to effectively manage its debt obligations. Given the current commodity price environment and economic conditions there is no certainty the Company will be able to meet its cash flow requirements as they fall due. Also, there is no assurance that the lenders will maintain the borrowing base at current levels, which may result in a borrowing base shortfall. If the Company cannot repay a borrowing base shortfall, it 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.

As a result of the matters described above, along with recent operational results and a worsening commodity price outlook, there is material uncertainty that the Company will be able to meet its obligations including interest payments, capital spending and abandonment and remediation expenses with its internally generated cash flows. Please refer to Note 2(b) of the financial statements for further discussion.

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

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, 2023, 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)	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Production Volumes								
Oil & condensate (bbl/d)	2,155	2,292	2,269	2,303	2,500	2,645	2,600	2,690
Conventional natural gas (Mcf/d)	7,685	7,518	8,180	8,014	8,857	8,987	8,763	9,246
Natural gas liquids (bbl/d)	88	97	100	114	120	126	115	138
Total (boe/d)	3,523	3,641	3,733	3,753	4,096	4,269	4,175	4,369
% Liquids	64%	66 %	63 %	64 %	64 %	65 %	65 %	65 %
Financial								
Oil and natural gas revenue	21,701	19,615	20,105	24,642	28,439	38,145	29,372	25,064
Royalties	(3,217)	(1,764)	(3,432)	(5,301)	(5,333)	(6,187)	(3,577)	(3,346)
Unrealized gain (loss) on derivatives	(551)	(80)	2,110	5,139	8,200	4,061	(10,118)	3,990
Realized gain (loss) on derivatives	(320)	285	(594)	(4,305)	(6,355)	(9,296)	(5,552)	(3,947)
Revenue net of realized and unrealized gains (losses) on derivatives	17,613	18,056	18,189	20,175	24,951	26,723	10,125	21,761
Net earnings (loss)	(2,690)	(945)	7,843	(2,890)	(1,503)	3,888	(1,897)	7,851
Per share – basic	-	(0.02)	0.06	(0.02)	(0.01)	0.03	(0.01)	0.06
Per share – diluted	-	(0.02)	0.05	(0.02)	(0.01)	0.02	(0.01)	0.05
AFF (1)	85	1,606	(2,029)	(2,681)	(213)	7,887	4,815	1,718
Per share – basic	-	0.00	(2,029)	(0.02)	—	0.06	0.04	0.01
Per share – diluted	-	0.00	(0.02)	(0.02)	—	0.05	0.04	0.01
AFF excluding decommissioning settlements	4,606	3,167	(1,499)	398	1,810	8,189	6,939	4,302
Per share – basic	0.01	0.01	(0.01)	—	0.01	0.06	0.05	0.03
Per share – diluted	0.01	0.01	(0.01)	—	0.01	0.05	0.05	0.03

[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.

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

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

First quarter 2023 oil and natural gas revenue decreased from the prior quarter largely due to lower average realized prices, this was partially offset by decreased realized hedge losses. Net income for the quarter was driven by the non-cash gain recognized on the extinguishment of financial liabilities arising from the Company's Recapitalization.

Fourth quarter 2022 oil and natural gas revenue decreased from the prior quarter due to lower production and realized prices per boe. The Company realized a net loss of $2.9 million in the fourth quarter of 2022, largely as a result of a $1.0 million (8.3%) increase in operating costs coupled with lower realized pricing and lower production volumes.

Third quarter 2022 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. The Company realized $1.8 million of AFF (before decommissioning settlements of $2.0 million) and a $1.5 million net loss in the third quarter of 2022 largely due to costs remaining high while commodity prices decreased.

Second quarter 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe coupled with increased production volumes. The Company realized $8.2 million in AFF (before decommissioning settlements of

$0.3 million) and $3.9 million of net earnings in the second quarter of 2022 due to non-cash items including $2.7 million of impairment reversal and $4.1 million in unrealized gains on derivatives, partially offset by $2.4 million of unrealized foreign exchange losses, $4.2 million in non-cash finance costs and $6.6 million of depletion and depreciation expense.

First quarter 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher average realized prices per boe, partially offset by decreased production volumes. Though the Company realized $6.9 million of AFF (before decommissioning settlements of $2.1 million), a net loss of $1.9 million was recorded in the first quarter of 2022 due to non- cash items including, losses on derivatives of $10.1 million, $5.9 million of depletion and depreciation expense, $2.3 million non- cash finance costs and $4.8 million loss on warrant liabilities revaluation, partially offset by a $1.1 million unrealized foreign exchange gain and impairment reversal of $15.0 million.

Fourth quarter 2021 oil and natural gas revenue was the highest among the past eight quarters due to improved average realized prices per boe. Net earnings of $7.9 million in the fourth quarter of 2021 were largely the result of non-cash items including impairment recovery of $6.5 million related to changes in decommissioning liabilities of certain properties that had a zero carrying value, unrealized gains on derivatives of $4.0 million, and a gain of $3.5 million related to the debt refinancing in December 2021, partially offset by depletion and depreciation expense of $6.0 million and non-cash financing costs of $2.5 million. The Company realized $4.3 million of AFF (excluding decommissioning settlements of $2.6 million).

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 Interim 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 officers to design and evaluate the Company's ICFR is the Internal Control – Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their evaluation, the Interim Chief Executive Officer has concluded that the Company's ICFR was effective as of September 30, 2023. There have been no changes in the Company's ICFR during the period from January 1, 2023 to September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Accounting Policies

Adoption of new standards January 1, 2023

IAS 1 – Disclosure of Accounting Policies

Effective January 1, 2023, the amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies, while providing guidance on how entities can identify material accounting policy information and examples of when accounting policy information is likely to be material. This did not have a material impact on the consolidated financial statements.

IAS 8 – Definition of Accounting Estimates

Effective January 1, 2023, the amendments distinguish how an entity should present and disclose different types of accounting changes in its financial statements and provides updated definitions to changes in accounting estimates to assist issuers in assessing between a change in accounting policy and a change in accounting estimate. This did not have a material impact on the consolidated financial statements.

IAS 12 – Income Taxes

Effective January 1, 2023, the amendments clarify that the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24 does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities. This did not have a material impact on the consolidated financial statements.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other Canadian oil and gas operators and the business risks are very similar. Significant risks are summarized in the Annual MD&A and have remained unchanged during the first nine months of 2023. Additional risks are provided in the "Risk Factors" section of the 2022 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 its ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company's assessment of its counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

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

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

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

Other Advisories

Volumetric Conversion

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

Throughout the MD&A, PPR has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where PPR sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-GAAP and Other Financial Measures

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

Working Capital (Deficit)

Working capital (deficit) is a non-GAAP financial measure, calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time.

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

($000s)	**September 30, 2023**	December 31, 2022
Current assets	**18,609**	25,593
Less: current derivative instrument assets	**-**	-
Current assets excluding current derivatives instruments	**18,609**	25,593
Less: Accounts payable and accrued liabilities	**25,727**	36,661
Working capital (deficit)	**(7,118)**	(11,068)

Operating Netback

Operating netback is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to evaluate operating performance. Operating 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)	**2023**	2022	**2023**	2022
Oil and natural gas revenue	**21,701**	28,439	**61,420**	95,956
Royalties	**(3,217)**	(5,333)	**(8,413)**	(15,097)
Operating expenses	**(9,037)**	(11,891)	**(31,404)**	(33,085)
Operating netback	**9,447**	11,215	**21,603**	47,774
Realized losses on derivatives	**(320)**	(6,355)	**(629)**	(21,203)
Operating netback, after realized losses on derivatives	**9,127**	4,860	**20,974**	26,571

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)	**2023**	2022	**2023**	2022
Net cash from (used in) operating activities	**(254)**	7,306	**(13,466)**	16,708
Changes in non-cash working capital	**288**	(7,258)	**10,428**	(5,286)
Other	**-**	(261)	**-**	(190)
Transaction and restructuring costs	**51**	-	**704**	1,257
Adjusted funds flow ("AFF")	**85**	(213)	**(2,334)**	12,489
Decommissioning settlements	**4,521**	2,023	**6,612**	4,449
AFF - excluding decommissioning settlements	**4,606**	1,810	**4,278**	16,938

Bank Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Bank Adjusted EBITDAX, which is a capital management measure, as defined below. The ratio provides a measure of the Company's ability to manage its debt levels under current operating conditions. "Debt" refers to the Company's borrowings under its Revolving Facility and Senior Notes. "Bank Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period. As transaction costs related to business combinations are non-recurring costs, Bank Adjusted EBITDAX is calculated excluding transaction costs, as a meaningful measure of continuing net income. For purposes of calculating covenants under long-term debt, Bank Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters.

The following is a reconciliation of Bank Adjusted EBITDAX to the nearest IFRS measure, net loss before income tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Net income (loss) before income tax	**(2,690)**	(1,501)	**(3,635)**	490
Add (deduct):				
Interest	**2,736**	3,952	**11,893**	11,045
Depletion and depreciation	**6,208**	5,512	**13,507**	17,052
Depreciation on right-of-use assets	**48**	450	**412**	1,402
Exploration and evaluation expense	**-**	122	**28**	938
Unrealized (gain) loss on derivatives	**551**	(8,200)	**(1,480)**	(2,143)
Impairment (reversal)	**(1,232)**	—	**11,847**	(17,671)
Accretion	**832**	726	**2,475**	1,936
(Gain) loss on foreign exchange	**735**	5,135	**183**	6,498
Interest on payable	**152**	85	**443**	211
Share – based compensation	**(226)**	92	**152**	201
Gain on sale of properties	**-**	(3)	**-**	(23)
(Gain) loss on warrant liability	**188**	(1,371)	**(1,870)**	2,058
Non-cash other income	**-**	(1,471)	**(139)**	(1,899)
Transaction and restructuring costs	**51**	—	**704**	1,257
Gain on extinguishment	**-**	—	**(10,369)**	—
Gain on fair value adjustment of Senior Notes	**-**	—	**(10,042)**	—
Bank Adjusted EBITDAX	**7,353**	3,528	**14,109**	21,352

Net Capital Expenditures

Net capital expenditures is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to assess PPR's investment in its existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment expenditures and exploration and evaluation expenditures from the Consolidated Statement of Cash Flows, plus capitalized stock-based compensation, plus acquisitions from business combinations, which is the outflow cash consideration paid to acquire oil and gas properties, less asset dispositions (net of acquisitions), which is the cash proceeds from the disposition of producing properties and undeveloped lands.

The following table provides a calculation of Net Capital Expenditures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Exploration and evaluation expenditures	**-**	122	**-**	938
Property and equipment expenditures	**-**	7,648	**6**	17,800
Capitalized stock-based compensation	**-**	-	**-**	-
Asset disposition (net of acquisition)	**(7)**	(3)	**(564)**	(23)
Net capital expenditures	**(7)**	7,767	**(558)**	18,715

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)	**September 30, 2023**	December 31, 2022
Working capital (deficit)[1]	**(7,118)**	(11,068)
Borrowings outstanding (principal plus deferred interest)	**(95,527)**	(136,751)
Total net debt	**(102,645)**	(147,819)

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