PRAIRIE PROVIDENT RESOURCES

Prairie Provident Resources Inc.

Consolidated Financial Statements

As at and for the Year Ended December 31, 2023

Dated: April 2, 2024

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Prairie Provident Resources Inc.

Opinion

We have audited the consolidated financial statements of Prairie Provident Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficit) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(b) in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The impact of oil and natural gas reserves on property and equipment The Company's disclosures related to property and equipment and depletion are included in Note 2(d) Use of Estimates and Judgments, Note 3 Material Accounting Policies and Note 6 Property and Equipment. The Company uses oil and natural gas reserves to deplete its production and development ("P&D") assets included in property and equipment, to assess for indicators of impairment or impairment reversal in the Company's cash generating units ("CGUs") and if any such indicators exist, to perform an estimation of the recoverable amount of the CGU. As at December 31, 2023, the carrying amount of property and equipment was $95,280. Depletion and depreciation for the year ended December 31, 2023 was $16,534. No indicators of impairment or impairment reversal requiring an estimate of the recoverable amount based on oil and gas reserves were identified. The estimate of oil and gas reserves requires the expertise of independent third-party reserve evaluators and includes significant assumptions related to forecasted commodity prices; production volumes; operating costs; royalty rates; and future development costs. We identified the impact of estimated oil and natural gas reserves on property and equipment as a key audit matter due to the significant auditor judgment, subjectivity and effort in performing procedures relating to the assumptions outlined above.	To test the estimated oil and natural gas reserves, we performed the following procedures, among others: • Evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company. • Compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators. • Compared the actual production, operating costs, royalty costs and development costs of the Company to those assumptions used in the prior year's estimate of oil and gas reserves to assess the Company's ability to accurately forecast. • Evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions. • Recalculated DD&A expense on a sample basis. • Evaluated the adequacy of the applicable disclosures in the consolidated financial statements in respect of these matters.
Estimate of fair value of Senior Notes prior to extinguishment. During the year ended December 31, 2023, the Company recognized a gain on extinguishment of financial liabilities of $9,811 relating to the Senior Notes. The Company's disclosures related to the estimate of fair value of Senior Notes prior to extinguishment are included in Note 2(d) Use of Estimates and Judgments, Note 3 Material Accounting Policies and Note 9 Long-Term Debt. The estimate of fair value of Senior Notes prior to extinguishment included significant assumptions related to the likelihood of the debt being converted to equity, the potential prices at which it would be converted to equity and the probability weighting of these scenarios. We determined that this is a key audit matter due to the judgments by management when estimating the likelihood of conversion, the potential conversion prices and the probability weighting of conversion prices and a high degree of auditor judgment and subjectivity in performing procedures relating to the key assumptions.	To test the estimate of fair value of Senior Notes prior to extinguishment, we performed the following procedures, among others: • With the assistance of our internal valuation specialists, evaluated the reasonableness of key assumptions used, including the likelihood of conversion, the potential conversion prices and the probability weighting of conversion prices by performing sensitivity analysis on each of the assumptions, comparing to publicly available share information and comparing to executed agreements with lenders. • With the assistance of our internal valuation specialists, evaluated the appropriateness of the model utilized to determine the fair value. • Evaluated the adequacy of the applicable disclosures in the consolidated financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Kim Wiggins.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Alberta
April 2, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at *($000s)*	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash		**1,835**	6,565
Restricted cash	21	**4,237**	4,137
Accounts receivable	21	**6,593**	9,541
Prepaid expenses and other assets		**3,290**	5,350
Assets held for sale	7	**50,431**	—
Total current assets		**66,386**	25,593
Exploration and evaluation	5	**3,546**	3,832
Property and equipment	6	**95,280**	192,306
Right-of-use assets	8	**1,503**	780
Other assets		**619**	619
Total assets		**167,334**	223,130
LIABILITIES			
Accounts payable and accrued liabilities		**23,964**	36,661
Current portion of long-term debt	9	**72,631**	126,350
Lease liabilities - current	11	**2,715**	494
Derivative instruments – current	21	**416**	1,882
Current portion of decommissioning liability	12	**6,155**	5,500
Warrant liability	10	**—**	4,115
Liabilities associated with assets held for sale	7	**27,810**	—
Total current liabilities		**133,691**	175,002
Lease liabilities – non-current portion	11	**2,420**	154
Derivative instruments	21	**—**	140
Decommissioning liabilities	12	**65,602**	108,719
Other liabilities		**8,511**	8,228
Total liabilities		**210,224**	292,243
Commitments and contingencies	23		
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	13	**147,273**	101,549
Warrants	13	**729**	—
Contributed surplus		**39,596**	39,084
Accumulated deficit		**(229,748)**	(209,629)
Accumulated other comprehensive income (loss) ("AOCI")		**(740)**	(117)
Total shareholders' equity (deficit)		**(42,890)**	(69,113)
Total liabilities and shareholders' equity (deficit)		**167,334**	223,130

Going concern (note 2b)
Subsequent event (note 24)
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,

(signed)
Patrick McDonald
Chair of the Board of Directors and Director

(signed)
Glenn Hamilton
Chair of the Audit Committee and Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended *($000s)*	Note	December 31, 2023	December 31, 2022
REVENUE			
Oil and natural gas revenue	17	79,802	120,598
Royalties		(11,868)	(20,398)
Oil and natural gas revenue, net of royalties		67,934	100,200
Unrealized gain on derivative instruments	21	1,606	7,282
Realized loss on derivative instruments	21	(931)	(25,508)
		68,609	81,974
Other income		1,040	1,676
EXPENSES			
Operating	18	43,181	45,888
General and administrative	19	10,487	7,632
Depletion and depreciation	6	16,533	21,535
Exploration and evaluation	5	406	967
Depreciation on right-of-use assets	8	460	1,851
Gain on property dispositions		—	(23)
Gain on warrant liability	10	(1,870)	—
Impairment loss (reversal)	5,6,7	20,938	(16,818)
(Gain) loss on foreign exchange		(510)	5,476
Finance costs	20	18,917	18,287
Transaction, restructuring and other costs		1,079	1,257
Gain on extinguishment of financial liabilities	9	(9,811)	—
Gain on revaluation of financial liabilities	9	(10,042)	—
Total expenses – net		89,768	86,052
Loss before taxes		(20,119)	(2,402)
Income tax expense	15	—	—
Net loss		(20,119)	(2,402)
Other comprehensive loss			
Items that may be reclassified to net earnings:			
Foreign currency translation adjustment		(623)	(586)
Items that will not be reclassified to net earnings:			
Actuarial loss on employee post-retirement benefit plan		—	(5)
Total other comprehensive loss		(623)	(591)
Comprehensive loss		(20,742)	(2,993)
Net loss per share			
Basic	13	(0.04)	(0.02)
Diluted	13	(0.04)	(0.02)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

($000s)	Note	Share Capital Amount	Warrants	Contributed Surplus	Accumulated Deficit	AOCI	Total Equity (Deficit)
Balance at December 31, 2022		101,549	—	39,084	(209,629)	(117)	(69,113)
Share issuance costs	13	**(1,011)**	**—**	**—**	**—**	**—**	**(1,011)**
Issued as repayment of subordinated notes	13	**41,153**	**—**	**—**	**—**	**—**	**41,153**
Issued as cashless exercise of all PCEP warrants	13	**2,245**	**—**	**—**	**—**	**—**	**2,245**
Issued as equity offering	13	**3,556**	**729**	**—**	**—**	**—**	**4,285**
Share cancellation	13	**(269)**	**—**	**269**	**—**	**—**	**—**
Share-based compensation	14	**—**	**—**	**306**	**—**	**—**	**306**
Settlement of share-based compensation, net of withholding tax		**50**	**—**	**(63)**	**—**	**—**	**(13)**
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**—**	**(623)**	**(623)**
Net loss		**—**	**—**	**—**	**(20,119)**	**—**	**(20,119)**
Balance at December 31, 2023		**147,273**	**729**	**39,596**	**(229,748)**	**(740)**	**(42,890)**

($000s)	Note	Share Capital Amount	Warrants	Contributed Surplus	Accumulated Deficit	AOCI	Total Equity (Deficit)
Balance at December 31, 2021		101,421	—	38,772	(207,227)	474	(66,560)
Share issuance costs		(2)	—	—	—	—	(2)
Share-based compensation		—	—	519	—	—	519
Settlement of share-based compensation, net of withholding tax		152	—	(207)	—	—	(55)
Purchase of common shares for DSU settlement		(22)	—	—	—	—	(22)
Actuarial loss on post-retirement benefit plan		—	—	—	—	(5)	(5)
Exchange differences on translation of foreign operations		—	—	—	—	(586)	(586)
Net loss		—	—	—	(2,402)	—	(2,402)
Balance at December 31, 2022		101,549	—	39,084	(209,629)	(117)	(69,113)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended *($000s)*	Note	December 31, 2023	December 31, 2022
OPERATING ACTIVITIES			
Net loss		**(20,119)**	(2,402)
Adjustments for non-cash items:			
Impairment (reversal)	5,6,7	**20,938**	(16,818)
Unrealized gain on derivative instruments	21	**(1,606)**	(7,282)
Depletion and depreciation	6	**16,533**	21,535
Depreciation on right-of-use asset	8	**460**	1,851
Exploration and evaluation expense	5	**406**	967
Accretion and non-cash finance costs	20	**4,812**	7,791
Unrealized foreign exchange (gain) loss		**(408)**	5,237
Change in other liabilities		**621**	300
Gain on sale of properties		**—**	(23)
Gain on warrant liability	10	**(1,870)**	—
Gain on extinguishment of financial liabilities	9	**(9,811)**	—
Gain on revaluation of financial liability	9	**(10,042)**	—
Share-based compensation		**306**	517
Non-cash other income		**(139)**	(1,676)
Settlements of decommissioning liabilities	12	**(8,364)**	(5,505)
Deferred interest on Senior Notes and Revolving Facility	9,20	**3,743**	4,272
Other, net		**5**	(102)
Change in non-cash working capital	16	**(6,112)**	15,817
Net cash (used in) from operating activities		**(10,647)**	24,479
FINANCING ACTIVITIES			
Share issuance costs		**(726)**	(13)
Debt modification costs		**(2,376)**	—
Issuance of common shares	13	**4,000**	—
Settlement of share-based compensation, including withholding tax and net of proceed		**(20)**	(76)
Repayments of principal related to lease obligations	11	**(113)**	(2,415)
Proceeds on issuance of Second Lien Notes	9	**4,927**	—
Change in non-cash working capital	16	**887**	500
Net cash from financing activities		**6,579**	520
INVESTING ACTIVITIES			
Exploration and evaluation expenditures	5	**(493)**	(216)
Property and equipment expenditures	6	**(233)**	(18,997)
Asset dispositions (net of acquisitions)		**669**	27
Change in non-cash working capital	16	**(505)**	(1,294)
Net cash used in investing activities		**(562)**	(20,480)
Change in cash and restricted cash		**(4,630)**	4,519
Cash and restricted cash, beginning of year		**10,702**	6,183
Cash and restricted cash, end of year		**6,072**	10,702

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

1. REPORTING ENTITY

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

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

On May 15, 2023 former Noteholder, PCEP Canadian Holdco, LLC, acquired 540,925,109 Common Shares following a Recapitalization (Note 9), thereby obtaining control of PPR. PCEP Canadian Holdco, LLC is a subsidiary of Prudential Private Capital, a unit of PGIM, Inc., the ultimate parent of PPR.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These annual financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company's material accounting policies under IFRS are presented in Note 3. The annual financial statements were approved and authorized for issue by the Board of Directors of PPR on April 2, 2024 (the "Financial Statements").

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

(b) Going Concern

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

At December 31, 2023, the Company had $66.2 million drawn on its Revolving Facility with nil borrowing capacity available and $6.4 million outstanding in Second Lien Notes. At December 31, 2023, the Company was in breach of certain financial covenants and non-financial covenants under its Revolving Facility and Second Lien Notes. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities and as of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

Notwithstanding, the Company remains in a challenging position with respect to its ability to meet current financial obligations while managing its decommissioning liabilities, long-term debt obligations, and debt-related financial covenants. With the Revolving Facility set to mature on July 1, 2024, and the Second Lien Notes set to mature on December 31, 2024, the Company recognizes the significance of these upcoming maturities and is actively assessing a variety of strategies and options to effectively manage its debt obligations. Given the current financial position of the Company and the breach of certain covenants at December 31, 2023, there is no certainty the Company will be able to meet its cash flow requirements as they fall due or meet its covenants under its lending long-term debt agreements in the future. The Company requires extensions of the maturity dates on both its Revolving Facility and Second Lien Notes prior to July 1, 2024, as well as deferrals of scheduled interest payments and relaxations of existing financial covenant requirements under its Revolving and Second Lien Notes based on the Company's current cash flow forecast for 2024. If the Company's Revolving Facility is not extended past July 1, 2024, the Company does not have the ability to repay the amounts due on maturity which would represent an event of default under both the Revolving Facility and Second Lien Notes. In such case, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

The next scheduled borrowing base re-determination for the Revolving Facility is Spring 2024 based on the December 31, 2023 reserves evaluation. The lenders have sole discretion on the determination of the borrowing base, which is based predominantly on the amount of the Company's proved developed producing oil and natural gas reserves. If a borrowing base deficiency exists because of a re-determination, the lender is required to notify the Company of such shortfall. The Company may repay the shortfall amount by either making one installment within 90 days or six equal consecutive monthly installments beginning within 30 days after the Company's receipt of the borrowing base deficiency notice. In the event of such a shortfall, the Company may not have the funds available to repay the amount due.

Due to these factors, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These 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 consolidated financial statements. Such adjustments could be material.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are as follows:

- PPR's oil and gas assets are grouped into cash generating units ("CGUs"). A CGU is the lowest level of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, geological formation, geographical proximity, the existence of common sales points and shared infrastructures and the way in which management monitors its operations. The recoverability of PPR's oil and gas assets is assessed at the CGU level, and therefore, the determination of a costs could have a significant impact on impairment losses or impairment reversals;

- Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; (iii) the determination of net recoverable amount of oil and gas properties for impairment assessment and measurement, and (iv) the determination of reserve lives which affect the timing of decommissioning activities, all of which could have a material impact on earnings and financial positions;

- Recoverable amounts calculated for impairment testing are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rates as well as future development costs, royalties, and operating costs. These calculations require the use of estimates and assumptions, which by their nature, are subject to measurement uncertainty. In addition, judgment is exercised by management as to whether there have been indicators of impairment or of impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: the market value of assets, asset performance, the estimate of future prices, royalties and costs, the estimated quantity of reserves and appropriate discount rates;

- Amounts recorded for decommissioning liabilities and the related accretion expense require the use of estimates with respect to the amount and timing of decommissioning expenditures, inflation rates and discount rates. Actual costs and cash outflows can differ from estimates because of changes in law and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow;

- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The Company is also subject to income tax audits and reassessments which may change its provision for income taxes. Therefore, the determination of income taxes is by nature complex, and requires making certain estimates and assumptions. PPR recognizes net deferred tax benefits related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted;

- Management applies judgment in reviewing modifications of financial liabilities to determine if the modifications are considered substantial, including the consideration of qualitative and quantitative factors. The classification of a modification as non-substantial or substantial impacts the accounting treatment for the financial liability as to the implementation of modification accounting or extinguishment accounting and as such, may have material implications on the financial statements; and

- These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities and commitments in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cash doubt upon the use of the going concern assumption.

3. MATERIAL ACCOUNTING POLICIES

The following are the accounting policies that management considers material to the users of the consolidated financial statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions or other events or conditions in the consolidated financial statements.

(a) Basis of Consolidation

At December 31, 2023, the Financial Statements included the accounts of PPR and its wholly owned subsidiaries, including Prairie Provident Resources Canada Ltd. ("PPR Canada"), Prairie Provident Resources Canada Inc., Lone Pine Resources Inc., Lone Pine Resources (Holdings) Inc., Arsenal Energy USA Inc., and Arsenal Energy Holdings Ltd. Subsidiaries are consolidated from the date the Company obtains control and continues to be consolidated until the date such control ceases. Control is achieved when PPR is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-entity transactions have been eliminated upon consolidation between PPR and its subsidiaries in these consolidated financial statements. PPR's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance.

(b) Joint Arrangements

PPR conducts some of its oil and gas activities through joint operations. Joint operation is a type of joint arrangement over which two or more parties have joint control and rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control. PPR does not have any joint arrangements that are material to the Company, or that are structured using separate vehicles. In relation to its interests in joint operations, PPR recognizes in the Financial Statements its share of assets, liabilities, revenues and expenses of the arrangements.

(c) Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids is measured per the consideration specified in contracts with customers. Revenue is recognized when the customer obtains control of the goods. The Company satisfies performance obligations and the customer obtains control upon the delivery of crude oil, natural gas and natural gas liquids, which is generally at a point in time. While the transaction price is variable under the terms of the contract, at the time of delivery, there is only a minimal risk of a change in the transaction price to be allocated to the volume sold. Accordingly, at the point of sale there is not a significant risk of revenue reversal relative to the cumulative revenue recognized, and there is no need to constrain any variable consideration. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs.

The Company does not have contracts with customers where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(d) Exploration and Evaluation Assets and Property and Equipment

(i) Recognition and Measurement

Exploration and Evaluation ("E&E") Assets

Pre-license costs are recognized in the consolidated statements of earnings and comprehensive income as incurred.

E&E costs, including the costs of acquiring licenses, obtaining geological and geophysical data, drilling and completing E&E wells, and building associated facilities are initially capitalized as E&E assets according to the nature of the expenditure. E&E assets may include estimated decommissioning costs associated with E&E decommissioning obligations. The costs are accumulated by well, field or exploration area pending determination of technical feasibility and commercial viability. E&E assets are not amortized.

The technical feasibility and commercial viability of extracting a hydrocarbon resource are considered to be determinable when proved and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and/or probable reserves have been discovered. Upon determination of proved and/or probable reserves, E&E assets attributable to those reserves are tested for impairment and if estimated recoverable amounts exceed carrying values the E&E assets, are transferred to petroleum and natural gas properties, within property and equipment assets. The cost of undeveloped land that expires and E&E expenditures determined to be unsuccessful are derecognized by recording exploration and evaluation expense.

Production and Development ("P&D") Assets

P&D assets generally represent costs incurred in acquiring and developing proved and/or probable reserves, and bringing in or enhancing production from such reserves. Development costs include the initial purchase price and directly attributable costs relating to land and mineral leases, geological and seismic studies, property acquisitions, development drilling, construction of gathering systems and infrastructure facilities, decommissioning costs, transfers from E&E assets, and for qualifying assets, borrowing costs. These costs are accumulated on a field or an area basis (major components). The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

The production and development items of property and equipment, which includes oil and natural gas development, properties and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses, net of impairment reversals. Development assets include certain stock equipment that is expected to be used in the normal course of P&D field development.

Gains and losses on disposal of an item of property and equipment, including petroleum and natural gas properties, are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment and are recognized on a net basis on the consolidated statements of earnings and comprehensive income.

(ii) Depletion and Depreciation

The net carrying value of P&D assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to convert those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are prepared by independent reserve engineers at least annually.

Proved plus probable reserves are estimated annually by independent and qualified reserve evaluators and represent the estimated quantities of petroleum and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Reserves are the remaining quantities of, petroleum and natural gas from known accumulations estimated to be recoverable from a given date forward. The estimates of reserves are determined from drilling, geological, geophysical and engineering data based on established technology and specified economic conditions. For depletion purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

For other assets, depreciation is recognized in profit or loss on a straight-line or declining-balance basis over the estimated useful life of each part of an item of property and equipment. Leasehold improvements are depreciated over the term of the lease. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Computer equipment is depreciated using the declining-balance basis at a rate of 30 percent per year. Office furniture is depreciated on a straight line basis over five years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iii) Impairment

E&E Assets

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) at such time that facts and circumstances indicate that the carrying amount exceeds the recoverable amount. If the recoverable amount does not exceed the carrying amount, an impairment adjustment is recognized in the consolidated statements of earnings and comprehensive income.

For the purposes of impairment testing, E&E assets are allocated to CGUs based on geographical proximity. E&E assets that are not related to established CGUs with reserves, such as undeveloped land holdings, seismic, equipment, and exploration drilling, are subject to impairment testing based on the nature and estimated recoverable amount of the respective cost components.

P&D Assets

PPR assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less cost of disposal ("FVLCD") and its value-in-use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such case, an impairment test is performed at the CGU level. A CGU is a group of assets that PPR aggregates based on their ability to generate largely independent cash flows. As at December 31, 2023, the Company has five principal operating CGUs – Evi, Michichi, Princess, Provost and Other.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. To determine VIU, the Company estimates the present value of the future net cash flows expected to derive from the continued use of the asset or CGU. Discount rates that reflect the market assessments of the time value of money and the risks specific to the asset or CGU are used. In determining FVLCD, discounted cash flows and recent market transactions are taken into account, if available. These calculations are corroborated by valuation multiples or other available fair value indicators. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the previously recognized impairment loss is reversed. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods.

(e) Financial Instruments

(i) Recognition and Measurement

PPR recognizes financial assets and financial liabilities, including derivatives, on the consolidated statements of financial position when the Company becomes a party to the contract. The Company initially measures all financial instruments at fair value. Subsequent measurement of the financial instrument is based on its classification. Financial assets and financial liabilities are classified into the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL").

Financial assets and financial liabilities classified as FVPL are measured at fair value with subsequent changes recognized through net income. Financial assets and liabilities classified as amortized cost are measured at amortized cost using the effective interest method of amortization. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial instruments are recognized in the consolidated statement of earnings and comprehensive income over the expected life of the instrument. Financial assets classified as FVOCI are measured at fair values with changes in those fair values recognized in the consolidated statement of earnings and comprehensive income.

(ii) Liabilities and Equity

Financial instruments are classified as a liability or equity based on the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavorable terms. A contract is also classified as a liability if it is a non-derivative and could obligate the Company to deliver a variable number of its own shares or it is a derivative other than one that can be settled by the delivery of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. An instrument is classified as equity if it evidences a residual interest in the Company's assets after deducting all liabilities.

(iii) Derivative Financial Instruments

Derivative financial instruments are used by the Company to manage its exposure to market risks relating to commodity prices. The Company's policy is not to use derivative financial instruments for speculative purposes. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third party market indications and forecasts and includes an estimate of the credit quality of counterparties to the derivative instruments. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

The Company has not designated its financial derivative contracts as effective accounting hedges, and therefore has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are measured at fair value, with any gains and losses recorded in the consolidated statement of earnings and comprehensive income.

(iv) Derecognition of Financial Instruments

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. The difference between the carrying value of the liability and the ultimate consideration paid is recognized in the consolidated statement of earnings and comprehensive income. If equity instruments are issued to extinguish a financial liability, the equity instruments are treated as consideration paid and measured at their fair value at the date of extinguishment. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of earnings and other comprehensive income.

(v) Impairment

The Company recognizes allowances for losses on its financial assets measured at amortized costs based on the lifetime expected credit losses anticipated to occur from all expected defaults over the life of financial asset. To calculate the expected credit loss, PPR applies the simplified approach applying a provision matrix whereby financial assets are grouped into categories based on counterparty characteristics and aging categories. The Company considers past experience and forward-looking information if such information is reasonable and supportable, available without undue costs and effort, and can have a significant impact on the loss estimate.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and impairment losses are recognized in the consolidated statement of earnings and comprehensive income. Once the Company has pursued collection activities and it has been determined that the incremental cost of pursuing collection outweighs the benefits, PPR derecognizes the gross carrying amount of the financial asset and the associated allowance from the consolidated statement of financial position.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(f) Fair Value Measurement

PPR measures derivatives at fair value at each balance sheet date and, for the purposes of impairment testing, uses FVLCD to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 21. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the following markets that are accessible by the Company:

- the principal market for the asset or liability, or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. PPR uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy; described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, PPR determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(g) Decommissioning Liabilities

PPR recognizes decommissioning liabilities related to its obligations to dismantle, retire and reclaim its oil and gas properties. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the balance sheet date. The present value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement or towards the settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(h) Income Tax

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Leases

When PPR is party to a lease arrangement as the lessee, it recognizes a right-of-use asset ("ROU asset") and a corresponding lease obligation on the consolidated statements of financial position on the date that a leased asset becomes available for use.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The ROU asset is depreciated over the lease term on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. These lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments on short-term leases or leases on low-value assets are expensed in the consolidated statements of earnings and comprehensive income on a straight-line basis over the lease term.

(j) Assets Held for Sale

PP&E and E&E assets, along with their associated decommissioning liabilities, are classified as held for sale if it is highly probable their carrying amounts will be recovered through an asset disposition in the next twelve months. Assets held for sale are recorded at the lower of their carrying amount and the fair value less costs of disposal and are assessed for indicators of impairment prior to classification as held for sale. Any impairment or impairment reversals are recognized in net income. Assets held for sale are classified as current and are not depleted subsequent to classification.

4. ADOPTION OF NEW ACCOUNTING STANDARDS AND NEW ACCOUNTING PRONOUNCEMENTS

The following amendments were adopted by the Company effective January 1, 2023:

IAS 1 – Disclosure of Accounting Policies

This amendment requires an entity to disclose material accounting policy information instead of significant accounting policies based on the nature of the information, even if the related amounts are immaterial.

IAS 8 – Definition of Accounting Estimates

This amendment distinguished 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.

IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment changes the deferred tax initial recognitions exemption, which 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.

The Company completed its assessment of the impact of the amendments and concluded that they have an impact on PPR's disclosure of accounting policies and estimates, but not on the measurement, recognition or presentation or any items within the consolidated financial statements.

Accounting standard amendments not yet adopted

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 amendments are effective for annual periods beginning on or after January 1, 2024, and are to be applied retrospectively. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

5. EXPLORATION AND EVALUATION ASSETS

($000s)	**December 31, 2023**	December 31, 2022
Cost Balance – beginning of year	61,571	62,614
Additions	**493**	216
Transfers to property and equipment (Note 6)	**—**	(77)
Adjustments due to change in estimates in decommissioning liabilities (Note 12)	**3,906**	(215)
Exploration and evaluation expense	**(406)**	(967)
Reclassified as assets held for sale (Note 7)	**(373)**	—
Cost Balance – end of year	**65,191**	61,571
Provision for impairment – beginning of year	(57,739)	(58,270)
Impairment (loss) reversal	**(3,906)**	531
Provision for impairment – end of year	**(61,645)**	(57,739)
Net book value – beginning of year	3,832	4,344
Net book value – end of year	**3,546**	3,832

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

As at December 31, 2023, the Company assessed its E&E assets for indicators of impairment or impairment reversal and none were noted. During 2023, PPR recognized $3.9 million of impairment loss (2022 - $0.5 million of impairment reversal) for changes in estimates of decommissioning liabilities related to E&E properties with zero carrying value.

For the year ended December 31, 2023, PPR recognized $0.4 million (2022 - $1.0 million) of E&E expense related to expired and surrendered leases in various areas.

6. PROPERTY AND EQUIPMENT

($000s)	**Production and Development**	**Office Equipment**	**Year Ended December 31, 2023**
Cost:			
Balance – beginning of year	666,721	4,942	671,663
Additions	**196**	**37**	**233**
Dispositions, net of acquisitions	**(669)**	**—**	**(669)**
Reclassified as assets held for sale (Note 7)	**(50,058)**	**—**	**(50,058)**
Adjustments due to change in estimates in decommissioning liabilities (Note 12)	**(13,824)**	**—**	**(13,824)**
Balance – end of year	**602,366**	**4,979**	**607,345**
Accumulated impairment, depletion and depreciation:			
Balance – beginning of year	(474,842)	(4,515)	(479,357)
Depletion and depreciation	**(15,547)**	**(129)**	**(15,676)**
Impairment loss	**(17,032)**	**—**	**(17,032)**
Balance – end of year	**(507,421)**	**(4,644)**	**(512,065)**
Net book value – beginning of year	191,879	427	192,306
Net book value – end of year	**94,945**	**335**	**95,280**

($000s)	Production and Development	Office Equipment	Year Ended December 31, 2022
Cost:			
Balance – beginning of year	675,115	4,810	679,925
Additions	19,137	132	19,269
Disposition, net of acquisitions	(27)	—	(27)
Adjustments due to change in estimates in decommissioning liabilities	(27,581)	—	(27,581)
Transfers from exploration and evaluation assets (Note 5)	77	—	77
Balance – end of year	666,721	4,942	671,663
Accumulated impairment, depletion and depreciation:			
Balance – beginning of year	(469,770)	(4,339)	(474,109)
Depletion and depreciation	(21,359)	(176)	(21,535)
Impairment reversal	16,287	—	16,287
Balance – end of year	(474,842)	(4,515)	(479,357)
Net book value – beginning of year	205,345	471	205,816
Net book value – end of year	191,879	427	192,306

As at December 31, 2023, an estimated $132.0 million in future development costs associated with proved plus probable undeveloped reserves, excluding the Evi CGU, were included in the calculation of depletion (December 31, 2022 - $217.2 million). The Company's Evi CGU has been excluded as it has been classified as assets held for sale at October 31, 2023. Subsequent to December 31, 2023, the Company closed the sale of the Evi CGU (Note 24).

(a) Capitalization of general and administrative and share-based compensation expenses

During the year ended December 31, 2023, $0.2 million (2022 – $1.1 million) of directly attributable general and administrative expenses, including nil (2022 – nil) share-based compensation expenses, were capitalized to property and equipment.

(b) Impairment

For the year ended December 31, 2023, an impairment loss was recorded on the Company's non-core Provost and Other CGUs of $1.0 million to bring the carrying value of the CGUs to zero. This impairment was isolated to the Company's non-core CGUs and there were no indicators of impairment or impairment reversal on any of its other CGUs.

During 2023, PPR recognized $17.5 million of impairment on its Evi CGU, which was reclassified to assets held for sale as of October 31, 2023 (refer to Note 7). PPR also recognized $1.5 million of net impairment reversal (2022 - $8.8 million of impairment reversal) for changes in estimates of decommissioning liabilities related to property and equipment with zero carrying value.

During 2022, PPR recorded an impairment reversal of $7.5 million related to its Evi CGU due to an increase in forecast benchmark commodity prices. As a result, the Company completed an impairment test on the Evi CGU and determined that the fair value less costs of disposal ("FVLCD") exceeded its carrying amount, resulting in the recognition of $7.5 million of non-cash impairment reversal in the year.

At December 31, 2022, no indicators of impairment or impairment reversal were identified for any of the Company's other CGUs.

7. ASSETS HELD FOR SALE

The Company classified its Evi CGU and certain Provost assets as assets held for sale following entering into agreements to sell the properties. The Evi CGU was recorded at the lesser of its fair value less costs of disposal and its carrying amount, resulting in an impairment loss of $3.0 million bringing total impairment recorded with respect to the Evi CGU in 2023 to $17.5 million. Subsequent to December 31, 2023, the Company completed their disposition. See Note 24.

($000s)	**PP&E (Note 6)**	**E&E (Note 5)**	**Decommissioning liability (Note 12)**	**Other liabilities**
Assets (liabilities) held for sale	**50,058**	**373**	**(27,360)**	**(450)**

8. RIGHT-OF-USE ASSETS

($000s)	**Office Leases**	**Facility Lease**	**Other Leases**	**Total**
Cost:				
Balance – December 31, 2021	1,924	6,687	521	9,132
Additions and modifications	80	—	92	172
Derecognitions	—	—	(122)	(122)
Balance – December 31, 2022	2,004	6,687	491	9,182
Additions and modifications	**—**	**1,183**	**—**	**1,183**
Balance – December 31, 2023	**2,004**	**7,870**	**491**	**10,365**
Accumulated depreciation:				
Balance – December 31, 2021	(1,427)	(4,815)	(309)	(6,551)
Depreciation	(197)	(1,605)	(49)	(1,851)
Balance – December 31, 2022	(1,624)	(6,420)	(358)	(8,402)
Depreciation	**(147)**	**(268)**	**(45)**	**(460)**
Balance – December 31, 2023	**(1,771)**	**(6,688)**	**(403)**	**(8,862)**
Net book value – December 31, 2022	380	267	133	780
Net book value – December 31, 2023	**233**	**1,182**	**88**	**1,503**

9. LONG-TERM DEBT

($000s)	**December 31, 2023**	December 31, 2022
Revolving Facility		
USD Advances (US$19.0 million (December 31, 2022 - US$19 million))[1]	**25,129**	25,735
CAD Advances (US$30.0 million (December 31, 2022 - US$30.0 million))[2]	**40,530**	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2022 - US$0.4 million)[2]	**543**	541
Total principal - Revolving Facility	**66,202**	66,806
Senior Notes Issued October 31, 2017		
Principal (US$16.0 million (December 31, 2022 - US$16.0 million))[1]	**—**	21,671
Deferred interest (US$5.8 million (December 31, 2022 - US$5.3 million))	**—**	7,241
Total Principal and Deferred Interest - October 31, 2017 Senior Notes	**—**	28,912
Senior Notes Issued November 21, 2018		
Principal (US$12.5 million (December 31, 2022 - US$12.5 million))[1]	**—**	16,930
Deferred interest (US$3.6 million (December 31, 2022 - US$3.3 million))[1]	**—**	4,499
Total Principal and Deferred Interest - November 21, 2018 Senior Notes	**—**	21,429
Senior Notes Issued December 21, 2020		
Principal (US$11.4 million (December 31, 2022 - US$11.4 million))[1]	**—**	15,424
Deferred interest (US$3.5 million (December 31, 2022 - US$3.1 million))[1]	**—**	4,180
Total Principal and Deferred Interest - December 21, 2020 Senior Notes	**—**	19,604
Unamortized amounts - Senior Notes		(10,401)
Total Carrying Amount - Senior Notes	**—**	59,544
Second Lien Notes		
Principal (US$3.6 million (December 31, 2022 - nil))[1]	**4,817**	—
Deferred interest (US$0.5 million (December 31, 2022 - nil))[1]	**628**	—
Deferred compensation fee (US$0.7 million (December 31, 2022 - nil))[1]	**984**	—
Total Carrying Amount	**6,429**	—
Long-term debt	**72,631**	126,350
Long-term debt due within one year	**72,631**	126,350
Long-term debt due beyond one year	**—**	—

[1] Converted using the month end exchange rate of $1.00 USD to $1.32 CAD as at December 31, 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.

(a) Revolving Facility

The Revolving Facility has a maturity date of July 1, 2024. Borrowings under the Revolving Facility are repayable at the Company's election at par plus accrued interest and any applicable breakage costs. Repayments generally will not affect the aggregate commitment or borrowing base under the Revolving Facility, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The Revolving Facility is denominated in USD, but accommodates CAD advances up to $41.1 million. As at December 31, 2023, the Company had nil (2022 - nil) available borrowing capacity as the lender indicated no additional draws were possible. All notes were issued at par by PPR Canada and are guaranteed by Prairie Provident Resources Inc. and certain of its other subsidiaries and secured by a US$200 million debenture.

The next scheduled borrowing base re-determination 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. Amounts borrowed under the Revolving Facility bear interest based on reference bank lending rates in effect from time to time, plus an applicable margin. Applicable margins per annum are 950 basis points and standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

As at December 31, 2023, PPR had outstanding letters of credit of $4.2 million (December 31, 2022 – $4.1 million). The letters of credit are issued by a financial institution at which PPR has posted cash deposits collateral. The related deposits are classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

As at December 31, 2023, there were no deferred costs netted against the carrying value of the Revolving Facility (December 31, 2022 – $0.2 million).

(b) Subordinated Senior Notes

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization"). Under the Recapitalization, Senior Note amounts outstanding and associated warrants were converted to equity.

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 March 29, 2023. As a result of the extinguishment, the Company recognized a gain of $9.8 million, net of $2.0 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. The Company elected to treat the Senior Notes instruments at fair value through profit and loss and was classified as level 3 in the fair value hierarchy (see Note 3(f) for information on the fair value level hierarchy).

Subsequent to the initial fair value measurement at March 29, 2023, the Company revalued the Senior Notes to the date of their conversion to equity on May 16, 2023, resulting in a gain of $10.0 million on revaluation, net of $0.4 million of financing costs. In exchange for settlement of the Senior Notes on May 16, 2023, 514.4 million common shares of the Company were issued based upon an agreed repayment price equal to $0.14 per common share.

(c) Second Lien Notes

On March 30, 2023, the Company completed the Second Lien Financing of the Recapitalization and purchased US$3.6 million of Second Lien Notes. The Second Lien Notes have a maturity of December 31, 2024, and bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1150 basis points. Interest on the Second Lien Notes must be paid in kind while the Revolving Facility is outstanding. In addition to repayment of the principal balance on maturity, the Second Lien Note purchase agreement requires payment of a deferred compensation fee of $1.3 million on the later of maturity or prepayment and the date on which the Revolver is fully repaid. At December 31, 2023, the Company has recognized US$0.7 million of deferred compensation fee related to the Second Lien Notes.

(d) Covenants

The note purchase agreement for the Revolving Facility, the Second Lien Notes agreement and related parent and subsidiary guarantees contain various covenants on the part of the Company and its subsidiaries including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, capital expenditures, hedging activities, investments, dividends and mergers and acquisitions. In addition, capital expenditures and acquisitions are generally limited to consistency with the Company's annual development plan, as created and updated by the Company from time to time and approved by the lenders.

The agreements for the Revolving Facility and the Second Lien Notes include the same financial covenants, with less restrictive thresholds under the Senior Second Lien agreement.

The applicable financial covenants thresholds as at December 31, 2023 are as follows:

	Revolving Facility Requirement	Second Lien Note Requirement	As at December 31, 2023
Senior Leverage[1]	Cannot exceed 3.50 to 1.00	Cannot exceed 3.75 to 1.00	4.08
Asset Coverage[2]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.78 to 1.00	1.67 to 1.00

[1] Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness to EBITDAX for the four quarters most recently ended. Senior adjusted indebtedness is defined as Adjusted Indebtedness less subordinated borrowings. Adjusted Indebtedness is defined as borrowings less outstanding letters of credit for which PPR has issued cash collateral. Bank Adjusted EBITDAX corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non- cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

[2] Under the debt agreements, the Asset Coverage ratio is the ratio of the net present value of estimated future net revenue from proved reserves (discounted at 10% per annum) adjusted for hedging transactions to Adjusted Indebtedness (as defined above).

The Company was in breach of its Senior Leverage covenant as well as certain non-financial covenants as at December 31, 2023 and subsequently received a waiver from the lenders. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities, and the contractual maturity of all facilities has not changed as a result of these defaults. As of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

During the third quarter of 2023, the Company amended certain debt covenants with the removal of the current ratio covenant and updating of the senior leverage ratio covenant. The amended debt covenants for the Revolving Facility and the Second Lien Notes, respectively, are below:

- Senior leverage ratio cannot exceed:
    - 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.

10. WARRANT LIABILITY

	Warrants *(000s)*	Amount *($000s)*
PPR Warrant Liability, December 31, 2022 and 2021	34,292	4,115
Fair value adjustment	—	(1,870)
Settled	(34,292)	(2,245)
PPR Warrant Liability, December 31, 2023	—	—

As part of the Recapitalization and Subordinated Notes Settlement which occurred on May 16, 2023, all the outstanding warrants of the Company were exercised on a cashless basis and 26.5 million Common Shares were issued. The warrants were revalued immediately prior to the settlement, resulting in a gain on warrant liability of $1.9 million. Refer to Note 9 for further details on the Recapitalization and Subordinated Notes Settlement.

11. LEASE LIABILITIES

($000s)	December 31, 2023	December 31, 2022
Opening balance	648	2,858
Additions and modifications	4,963	36
Finance expense	19	169
Lease payments	(495)	(2,415)
Ending balance	5,135	648
Less: current portion	2,715	494
Ending balance – long-term portion	2,420	154

The expense recognized for variable lease payments (net of variable sublease income) excluded from the measure of lease liabilities during the year ended December 31, 2023 was $0.1 million (2022 - $0.1 million).

The Company incurs lease payments related to vehicles, head office facilities and a gas processing facility. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognized lease liabilities in relation to its vehicle and head office lease arrangements measured at the present value of the remaining lease payments at the incremental borrowing rates between 7.0% - 10.0% (2022 - 7.0% - 10.0%). During the year ended December 31, 2023, the Company entered into a new gas processing facility lease and valued the lease liability using a discount rate of 17.2%.

Short-term leases are leases with a lease term of twelve months or less while low-value assets comprised of information technology and miscellaneous equipment. Such items are charged to operating expenses and general and administrative expenses in the consolidated statements of earnings and comprehensive income and are immaterial.

The following table details the undiscounted cash flows of PPR's lease obligations, as at December 31, 2023:

($000s)	Under 1 Year	1-3 Years	4-5 years	Beyond 5 years	Total Contractual Cash Flows	Carrying Amount
Lease obligations	3,380	2,587	12	45	6,024	5,135

12. DECOMMISSIONING LIABILITIES

($000s)	December 31, 2023	December 31, 2022
Total Balance – beginning of year	114,219	146,332
Liabilities incurred	—	269
Government grants	(139)	(1,676)
Settlements	(8,364)	(5,505)
Change in estimates	(9,919)	(27,833)
Accretion of decommissioning liabilities	3,320	2,632
Reclassified as held for sale (Note 7)	(27,360)	—
Total Balance – end of year	71,757	114,219
Current portion – end of year	6,155	5,500
Long-term portion – end of year	65,602	108,719

The Company estimated the undiscounted and inflated total future liabilities, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities associated with assets held for sale, to be approximately $187.7 million (December 31, 2022 – $254.6 million). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 35 years, of which $20.0 million is estimated to be incurred over the next five years.

Decommissioning liabilities at December 31, 2023 were determined using risk-free rates of 3.27% - 3.92% (December 31, 2022 – 2.77% - 2.93%) and an inflation rate of 1.8% (December 31, 2022 – 1.8%). In 2023, the decrease in ARO is primarily driven by $8.4 million of decommissioning expenditures incurred throughout the year and a change in estimates primarily attributable to higher risk-free discount rates applied at December 31, 2023. In 2022, the change in estimates of $27.8 million was comprised of a $33.8 million decrease resulting from higher risk-free discount rates applied at December 31, 2022, which were partially offset by a $5.9 million increase resulting from higher inflation rates and other changes applied as at December 31, 2022.

During 2023, PPR recognized $0.1 million (2022 - $1.7 million) of non-cash other income and a corresponding reduction in decommissioning liabilities related to government grants under the Government of Alberta's Site Rehabilitation Program.

13. SHARE CAPITAL

(a) Authorized

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

(b) Shares and Warrants Outstanding

	Number of Shares ***(000s)***	**Amount** ***($000s)***
Common shares:		
PPR Shares, December 31, 2021	128,725	101,421
Share issuance costs	—	(2)
Issued for Options, RSU and DSU settlement	1,463	301
Withholding taxes on RSU and DSU settlement	—	(149)
Share repurchase for DSU settlement	(91)	(22)
PPR Shares, December 31, 2022	130,097	101,549
Share issuance costs	—	(1,011)
Issued for Options and RSU settlements	516	70
Withholding taxes on Options and RSU settlements	—	(20)
Issued as repayment of subordinated notes	514,409	41,153
Issued as cashless exercise of all PCEP warrants	26,516	2,245
Issued as equity offering	44,444	3,556
Share cancellation	(403)	(269)
PPR Shares, December 31, 2023	715,579	147,273

	Number of Shares (000s)	Amount ($000s)
Warrants:		
PPR Warrants, December 31, 2022	—	—
Issued as equity offering	44,444	444
Issued for services	3,556	285
PPR Warrants, December 31, 2023	48,000	729

As part of the $4.0 million equity financing with respect to the Recapitalization transaction, 44.4 million warrants were issued to investors and deal brokers.

(c) Net Loss per Share

Years Ended *(000s)*	December 31, 2023	December 31, 2022
Net loss for the year	(20,119)	(2,402)
Weighted average number of common shares		
Basic	497,283	129,295
Diluted	497,283	129,295
Basic net loss per share	(0.04)	(0.02)
Diluted net loss per share	(0.04)	(0.02)

The weighted-average diluted common shares for the years ended December 31, 2023 and 2022 exclude the impact of all outstanding equity settled awards issued under the Company's long-term incentive plans and warrants as they were anti-dilutive.

14. SHARE-BASED COMPENSATION

(a) Stock Options

Under the Company's stock option plan, options granted vest evenly over a three-year period and expire 5 years after the grant date. Each option entitles the holder to purchase one common share at the specified exercise price.

The following tables summarize the stock options outstanding and exercisable under the plan:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2021	3,401,015	0.24
Granted	2,620,000	0.29
Exercised	(762,237)	0.12
Forfeited or expired	(2,500,255)	0.24
Balance, December 31, 2022	2,758,523	0.21
Granted	2,760,000	0.07
Exercised	(85,884)	0.05
Forfeited or expired	(975,745)	0.21
Balance, December 31, 2023	4,456,894	0.13
Exercisable at December 31, 2023	773,562	0.16

On April 18, 2023, 600,000 options were granted to Management and Directors of the Company and on December 19, 2023, 2,160,000 options were granted to Management of the Company.

	Options Outstanding			Options Exercisable	
Year of Grant	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
2019	132,774	0.21	0.1	132,774	0.21
2020	150,785	0.05	1.1	150,785	0.05
2021	333,334	0.09	2.7	266,668	0.09
2022	1,080,001	0.29	3.5	223,335	0.28
2023	2,760,000	0.07	4.8	—	—
Total	4,456,894	0.13	4.1	773,562	0.16

The weighted average remaining contractual life of options outstanding as at December 31, 2023 was 4.1 years (December 31, 2022 – 3.1 years). The fair value of options granted in 2023 was $0.05 per option, estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions and resulting fair value:

Weighted Average for the year ended	December 31, 2023
Risk free interest rate	3.4%
Expected life of options (years)	4.0
Expected volatility	163.0%
Estimated forfeiture rate	—%
Dividend per share	—
Exercise price of options	$0.07

(b) Deferred Restricted Share Units

DSUs are granted under the Company's incentive security plan to non-management directors of the Company. DSUs vest in their entirety on the grant date and will be settled when a director ceases to be a member of the board of directors. DSUs may be settled in common shares (by issuance from treasury or through the delivery of common shares purchased through the open market) or cash at the discretion of the Company; however, it is PPR's intention to settle the DSUs in common shares and the plan has been accounted for as equity settled. Certain of the DSU grants do not allow for settlement by issuance of common shares from treasury and require settlement to be made through the delivery of common shares purchased through the open market or by cash.

The following table summarizes the DSUs outstanding under the plan:

	DSUs
Balance, December 31, 2021	1,880,268
Settled	(915,134)
Balance, December 31, 2022	965,134
Granted	2,500,000
Balance, December 31, 2023	**3,465,134**

On December 19, 2023, 2,500,000 DSUs were granted to Directors of the Company.

(c) Restricted Share Units

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

	RSUs
Balance, December 31, 2021	1,474,263
Granted	975,000
Settled	(466,464)
Forfeited or expired	(1,035,398)
Balance – December 31, 2022	947,401
Granted	2,040,000
Settled	(708,234)
Forfeited or expired	(207,500)
Balance – December 31, 2023	**2,071,667**

On April 18, 2023, 600,000 options were granted to Management and Directors of the Company and on December 19, 2023, 1,440,000 RSUs were granted to Management of the Company. The weighted average fair value at grant date for the RSUs awarded during the year ended December 31, 2023 was $0.07 per unit.

(d) Share-based compensation expense

Years Ended *($000s)*	December 31, 2023	December 31, 2022
Shared based compensation expense:		
Included in G&A	306	519
Share-based compensation expense before capitalization	306	519
Capitalized during the period	—	(3)
Share-based compensation expense after capitalization	306	516

15. INCOME TAX

Total income tax expense (recovery) differs from the amounts computed by applying the statutory tax rate to income (loss) before income taxes as a result of the following:

Years ended *($000s)*	December 31, 2023	December 31, 2022
Loss before taxes	(20,119)	(2,402)
Statutory income tax rate	23.00 %	23 %
Expected income tax expense (recovery)	(4,627)	(552)
Add (deduct):		
Change in unrecognized deferred tax asset	4,521	(1,346)
Foreign currency translation gains (losses)	(4)	822
Non-deductible share-based compensation	70	119
Expired non-capital losses	—	1,077
Other	40	(120)
Income tax expense (recovery)	—	—

As of December 31, 2023 and 2022, the Company did not recognize any deferred tax assets in excess of taxable temporary differences as there was insufficient evidence to indicate that it was probable that future taxable profits in excess of profits arising from the reversal of existing temporary differences would be generated to utilize the existing deferred tax assets.

16. SUPPLEMENTAL INFORMATION

(a) Cash Flow Presentation

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

Years Ended *($000s)*	**December 31, 2023**	December 31, 2022
Source (use) of cash:		
Accounts receivable	**2,948**	(226)
Prepaid expenses and other current assets	**1,204**	(1,245)
Accounts payable and accrued liabilities	**(9,975)**	16,691
Less: Foreign exchange on translation	**93**	(197)
	(5,730)	15,023
Related to operating activities	**(6,112)**	15,817
Related to financing activities	**887**	500
Related to investing activities	**(505)**	(1,294)
	(5,730)	15,023
Other:		
Interest paid during the year	**9,894**	5,570

(b) Financial Liabilities Reconciliation

Changes in liabilities arising from financing activities:

	Revolving Facility	Senior Notes	Second Lien
Balance as of December 31, 2021	62,235	47,120	—
Draws on revolving facility	2,524	—	—
Deferred interest	—	4,272	—
Debt issuance costs	(12)	—	—
Non-cash changes			
Unrealized foreign exchange loss	1,657	3,574	—
Amortization of debt issuance costs	199	26	—
Amortization of fair value adjustment	—	4,755	—
Balance as of December 31, 2022	66,603	59,747	—
Changes in cash flows	—	—	4,927
Deferred interest	—	2,138	628
Deferred compensation	—	—	984
Non-cash changes			
Unrealized foreign exchange	(603)	80	—
Derecognition of issuance costs on debt modification	202	—	—
Debt extinguishment (Note 9)	—	(9,811)	—
Debt modification (Note 9)	—	(10,042)	—
Debt to equity conversion	—	(41,152)	—
Transaction and restructuring costs	—	(960)	—
Amortization of fair value adjustment	—	—	(110)
Balance as of December 31, 2023	66,202	—	6,429

17. REVENUE

Years Ended *($000s)*	December 31, 2023	December 31, 2022
Oil & condensate	70,732	99,730
Natural gas	7,041	17,419
Natural gas liquids	2,029	3,449
Oil and natural gas revenue	79,802	120,598

Included in accounts receivable at December 31, 2023 was $4.9 million (December 31, 2022 – $7.0 million related to December 2022 production) of accrued oil and natural gas revenue related to December 2023 production.

18. OPERATING EXPENSES

Years Ended *($000s)*	December 31, 2023	December 31, 2022
Lease operating expense	37,932	38,838
Transportation and processing	5,249	7,050
Operating expense	43,181	45,888

19. GENERAL AND ADMINISTRATIVE COSTS

Years Ended *($000s)*	December 31, 2023	December 31, 2022
Salaries and benefits	**4,625**	4,058
Share-based compensation (Note 14)	**306**	519
Office rents and leases	**442**	203
Professional fees	**3,584**	3,153
Other	**1,718**	823
Gross general and administrative expense	**10,675**	8,756
Amounts capitalized to P&E	**(188)**	(1,124)
General and administrative expense	**10,487**	7,632

20. FINANCE COSTS

Years Ended ($000s)	December 31, 2023	December 31, 2022
Interest expense	**10,362**	6,225
Deferred interest expense(1)	**3,743**	4,272
Accretion – decommissioning liabilities (Note 12)	**3,320**	2,632
Non-cash interest on debt modifications and warrant liabilities	**1,386**	4,781
Amortization of financing costs	**34**	199
Non-cash interest on lease obligations (Note 11)	**19**	169
Accretion – other liabilities	**53**	9
Finance cost	**18,917**	18,287

[1] Deferred interest expense is interest expense which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance to the underlying borrowing agreements.

21. FINANCIAL INSTRUMENTS, FAIR VALUES AND RISK MANAGEMENT

(a) Fair Values of financial instruments

Derivative instruments and the warranty liability are measured and recorded on PPR's statement of financial position at FVTPL and are classified as Level 2 within the fair value hierarchy described in Note 3(f). During the years ended December 31, 2023 and 2022, there were no transfers among Levels 1, 2 and 3.

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

(b) Risk Management

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

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

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

(i) Credit Risk

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

Cash and Restricted Cash

The Company limits its exposure to credit risk related to cash by depositing its excess cash only with financial institutions that have investment grade credit ratings. As of December 31, 2023, restricted cash included $4.2 million of guaranteed investment certificates with maturity dates of one year or less (December 31, 2022 – $4.1 million).

Accounts Receivable

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

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

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

For the year ended December 31, 2023, PPR had two external customers that constituted more than 10 per cent of oil and natural gas revenue with combined revenues of $22.2 million. For the year ended December 31, 2022, PPR had four external customers that constituted more than 10 per cent of commodity sales from production, with sales of $83.6 million.

As at December 31, the maximum exposure to credit risk for receivables by type of customer was:

($000s)	**December 31, 2023**	December 31, 2022
Oil and natural gas marketing companies	**4,918**	7,733
Joint operators	**1,695**	1,367
Other	**(20)**	441
Total accounts receivable	**6,593**	9,541

As at December 31, the Company's accounts receivable are aged as follows:

($000s)	December 31, 2023	December 31, 2022
Current (less than 90 days)	6,279	9,147
Past due (more than 90 days)	314	394
Total	6,593	9,541

PPR's allowance for doubtful accounts was nil as at December 31, 2023 (December 31, 2022 – $0.02 million). Based on industry experience, the Company considers its joint interest accounts receivable to be in default when the receivable is more than 90 days past due. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

Derivatives

PPR executes with each of its derivative counterparties an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions. As of December 31, 2023, all of the derivative counterparties have entered inter-creditor agreements with the Company's lender to eliminate the need to post any collateral. PPR does not require the posting of collateral for its benefit under its derivative agreements. However, PPR's ISDA Master Agreements generally contain netting provisions whereby if on any date amounts would otherwise be payable by each party to the other, then on such date the party that owes the larger amount will pay the excess of that amount over the smaller amount owed by the other party, thus satisfying each party's obligations. These provisions generally apply to all derivative transactions, or all derivative transactions of the same type (e.g., commodity, interest rate, etc.), with the particular counterparty.

Financial assets and financial liabilities are only offset if PPR has the current legal right to offset and intends to settle on a net basis. The following is a summary of PPR's financial assets and financial liabilities that were subject to offsetting as at December 31, 2023 and 2022. The net asset amounts represent the maximum exposure to credit risk for derivative instruments at each reporting date.

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

December 31, 2022 *($000s)*	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments liabilities	(3,340)	1,458	(1,882)
Long-term:			
Derivative instruments liabilities – long-term	(407)	267	(140)

(ii) Liquidity Risk & Capital Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As outlined in Note 9, at December 31, 2023, the Company had nil borrowing capacity under the Revolving Facility. In addition, the Revolving Facility and the Second Lien Notes are set to mature on July 1, 2024, and December 31, 2024, respectively. This, and the information provided in 2(b) Going Concern, results in material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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

PPR monitors its capital structure using the ratio of Senior Leverage (as defined in Note 9) to trailing twelve months' EBITDAX (as defined in Note 9). Senior Leverage to EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The Company's goal is to manage this ratio within the financial covenants imposed on it under its outstanding debt agreements. As at December 31, 2023, the Company was in breach of this financial covenant along with certain non-financial covenants. Refer to Note 9 for additional details.

The following table details the cash flows and contractual maturities of the Company's financial liabilities at December 31, 2023:

As at December 31, 2023	Total	1 Year	2-3 Years	4-5 Years	Beyond 5 Years
Accounts payable and accrued liabilities	23,964	23,964	—	—	—
Derivative instruments	416	416	—	—	—
Lease obligations	6,024	3,380	2,587	12	45
Long-term debt [1]	79,934	79,934	—	—	—
Total	110,338	107,694	2,587	12	45

1 Includes interest payments and the principal and deferred amounts payable on maturity on the Company's Revolving Facility and Second Lien Notes. Interest payments are estimated for the Revolving Facility using year-end outstanding borrowing and year-end prime interest rate plus applicable margins for the related borrowing periods.

(iii) Market Risk

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

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

(iv) Currency Risk

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

The following table demonstrates the effect of a 10% strengthening or weakening of the Canadian/US exchange rate on the Company's earnings before taxes due to changes in the unrealized gain or loss on revaluation of outstanding US dollar denominated long-term debt and unrealized gain or loss on derivative instruments on contracts in place at December 31, 2023:

	Increase in CAD/USD Rate		Decrease in CAD/USD Rate	
($000s)	2023	2022	2023	2022
US dollar-denominated debt	3,154	9,568	(3,154)	(9,568)
Risk management contracts	(42)	(202)	42	202
Earnings (loss) before taxes	3,112	9,366	(3,112)	(9,366)

(v) Interest Rate Risk

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

A change in prime interest rates by 100 basis points would have changed net loss by approximately $0.7 million in 2023 (2022 – $0.7 million) assuming all other variables remain constant.

(vi) Commodity Price Risk

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

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

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

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

December 31, 2022	Crude Oil	Natural Gas	Total
($000s)			
Derivative instruments – current liabilities	(1,158)	(724)	(1,882)
Derivative instruments – long-term liabilities	(140)	—	(140)
Total liabilities	(1,298)	(724)	(2,022)

The following table summarizes commodity derivative transactions as at December 31, 2023:

Remaining Term	**Reference**	**Total Daily Volume (bbl)**	**Premium/ bbl**	**Weighted Average Price/bbl**
Crude Oil Put Spread Options (No Ceiling)				
January 01, 2024 - March 31, 2024	US$ WTI	1,000	3.95 [1]	$50.00/60.00

[1] Deferred premiums, payable upon settlement of the derivative contracts.

The following shows the breakdown of realized and unrealized gains and losses recognized by commodity type for the year ended December 31, 2023 and 2022:

Year ended December 31, 2023	Crude Oil	Natural Gas	Total
($000s)			
Realized gain (loss) on derivative instruments	(1,579)	648	(931)
Unrealized gain on derivative instruments	883	723	1,606
Total gain (loss)	(696)	1,371	675

Year ended December 31, 2022	Crude Oil	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(20,108)	(5,400)	(25,508)
Unrealized gain on derivative instruments	6,880	402	7,282
Total loss	(13,228)	(4,998)	(18,226)

The Company's operational results and financial condition are largely dependent on the commodity price received for its oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.

PPR manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts. The Company assesses the effects of movement in commodity prices on income before tax. When assessing the potential impact of these commodity price changes, the Company believes a ten percent volatility is a reasonable measure. A ten percent increase or decrease in commodity prices would have resulted in the following impact to unrealized gains (losses) on derivative instruments and earnings (loss) before taxes, assuming all other variables, including the Canadian/United States dollar exchange rate, remain constant:

	Increase by 10%		Decrease by 10%	
($000s)	2023	2022	2023	2022
Crude oil	5	(5,166)	(5)	(1,599)
Natural gas	—	(1,234)	—	(191)

22. RELATED PARTY TRANSACTIONS

Key Management Compensation

The aggregate compensation of directors and executive management is summarized as follows:

Years Ended *($000s)*	December 31, 2023	December 31, 2022
Salary, bonus and fees	1,544	1,813
Termination payments	396	606
Share based compensation	342	46
Total remuneration	2,282	2,465

Share based compensation included in key management compensation is non-cash compensation.

Related Party Transactions

During the year, PCEP Canadian Holdco, LLC ("PCEP") acquired 514,408,902 Common Shares pursuant to the Subordinated Notes Settlement, and a further 26,516,207 Common Shares pursuant to the Warrant Exercise, for an aggregate holding of 540,925,109 Common Shares. As a result of this transaction a related party relationship now exists between the Company and PCEP and its affiliates. The Company's Senior Revolving Facility and Second Lien Note is financed with certain affiliates of PCEP. During the year ended December 31, 2023 the Company recorded $9.9 million of interest related to borrowings under the Senior Revolving Facility and $0.6 million of deferred interest and $1.0 million of deferred compensation related to the Second Lien Note. As at December 31, 2023, the Senior Revolving Facility has an aggregate balance owing of $66.2 million and the Second Lien has an outstanding balance, including deferred interest and compensation, of $6.4 million. The Company has an obligation to pay an additional deferred compensation amount of $1.3 million related to the Second Lien Notes at maturity (refer to Note 9).

23. COMMITMENTS AND CONTINGENCIES

The Company has non-cancellable contractual obligations summarized at December 31, 2023, as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
Debt (interest and principal)	79,934	—	—	—	—	—	79,934
Leases - variable	340	198	—	—	—	—	538
Firm transportation agreements	265	128	8	2	1	—	404
Other agreements	280	43	30	31	32	218	634
Total	80,819	369	38	33	33	218	81,510

The table above excludes contractual obligations for lease payments which are recorded as lease liabilities on the consolidated statement of financial position (see Note 11).

Contingencies

PPR is involved in litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on the Company’s results of operations or cash flows.

24. SUBSEQUENT EVENT

Property Dispositions

Subsequent to year-end, the Company completed two property dispositions resulting in net cash proceeds of $24.2 million. Of the proceeds received, $20 million (US$14.7 million) was used to reduce advances under the Revolving Facility, with the remainder used to increase the Company's working capital.

Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three Months and Year Ended December 31, 2023

Dated: April 2, 2024

Advisories

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

The following MD&A of PPR provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three months and year ended December 31, 2023. This MD&A is dated April 2, 2024 and should be read in conjunction with the audited combined and consolidated financial statements of PPR as at and for the year ended December 31, 2023 (the "2023 Annual Financial Statements"). Additional information relating to PPR, including the Company's December 31, 2023 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

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

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

This MD&A contains forward-looking statements and non-GAAP and other financial 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-GAAP and Other Financial Measures" included at the end of this MD&A.

Abbreviations

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

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

Financial and Operational Summary

	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	**2023**	2022
Production Volumes				
Crude oil and condensate (bbl/d)	**2,049**	2,303	**2,190**	2,511
Natural gas (Mcf/d)	**7,374**	8,014	**7,579**	8,653
Natural gas liquids (bbl/d)	**135**	114	**105**	119
Total (boe/d)	**3,413**	3,753	**3,558**	4,072
% Liquids	**64 %**	64 %	**64 %**	65 %
Average Realized Prices				
Crude oil and condensate ($/bbl)	**87.12**	95.34	**88.50**	108.82
Natural gas ($/Mcf)	**2.10**	5.03	**2.55**	5.52
Natural gas liquids ($/bbl)	**43.08**	69.60	**53.05**	79.41
Total ($/boe)	**58.54**	71.37	**61.46**	81.14
Operating Netback ($/boe)[1]				
Realized price	**58.54**	71.37	**61.46**	81.14
Royalties	**(11.00)**	(15.35)	**(9.14)**	(13.72)
Operating costs	**(37.50)**	(37.08)	**(33.25)**	(30.88)
Operating netback	**10.03**	18.94	**19.07**	36.54
Realized losses on derivatives	**(0.96)**	(12.47)	**(0.72)**	(17.16)
Operating netback, after realized losses on derivatives	**9.07**	6.47	**18.35**	19.38

Financial & Operational Highlights

- Fourth quarter production averaged 3,413 boe/d, approximately 9% lower than fourth quarter 2022. Average annual production for 2023 was 3,558 boe/d (64% liquids), approximately 13% lower than average 2022 production. These decreases in production are a result of the natural declines of the assets, declined capital spending and decreased well servicing due to liquidity challenges.
- PPR significantly reduced its net debt from $147.8 million at December 31, 2022 to $80.6 million at December 31, 2023 through the completion of its recapitalization and debt to equity transaction which resulted in the extinguishment of the Senior Subordinated Notes. The settlement of the Senior Subordinated Notes additionally reduces the Company's exposure to foreign exchange risk as it has reduced the outstanding balance of US dollar denominated debt the Company holds.
- In October 2023 the Company announced the strategic asset dispositions of its Evi CGU and certain non-core Provost assets. These assets are recorded as assets held for sale as at December 31, 2023 and were subsequently sold in the first quarter of 2024.
- The Company remained active in its decommissioning program with $8.4 million spent on settlements during 2023.
- At December 31, 2023, the Company was in breach of its senior leverage ratio covenant along with certain non-financial covenants. PPR's US$41.1 million Senior Revolving Facility was fully drawn down with nil available borrowing capacity and US$4.8 milling outstanding relating to the Second Lien Note. As of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

1 Net debt is a non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

Results of Operations

Production

	Three Months Ended December 31,		Years Ended December 31,	
	2023	2022	**2023**	2022
Oil & condensate (bbl/d)	**2,049**	2,303	**2,190**	1,886
Natural gas (Mcf/d)	**7,374**	8,014	**7,579**	8,653
Natural gas liquids (bbl/d)	**135**	114	**105**	119
Total (boe/d)	**3,413**	3,753	**3,558**	4,072
Liquids Weighting	**64 %**	64 %	**64 %**	65 %

Average production for the three months and year ended December 31, 2023 was 3,413 boe/d (64% liquids) and 3,558 boe/d (64% liquids), a decrease of 9% and 13%, respectively, compared to the corresponding periods in 2022. Production decreases in 2023 are primarily attributable to minimal capital activity and natural declines of the assets.

Revenue

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per unit amounts)	**2023**	2022	**2023**	2022
Revenue				
Oil & condensate	**16,422**	20,200	**70,732**	99,730
Natural gas	**1,424**	3,712	**7,041**	17,419
Natural gas liquids	**536**	730	**2,029**	3,449
Oil and natural gas revenue	**18,382**	24,642	**79,802**	120,598
Average Realized Prices				
Oil & condensate ($/bbl)	**87.12**	95.34	**88.50**	108.82
Natural gas ($/Mcf)	**2.10**	5.03	**2.55**	5.52
Natural gas liquids ($/bbl)	**43.08**	69.60	**53.05**	79.41
Total ($/boe)	**58.54**	71.37	**61.46**	81.14
Benchmark Prices				
Crude oil - WTI ($/bbl)	**106.58**	111.45	**104.73**	122.18
Crude oil - Edmonton Light Sweet ($/bbl)	**97.55**	107.29	**97.55**	119.27
Crude oil - WCS ($/bbl)	**69.20**	76.55	**79.53**	98.21
Natural gas - AECO daily index - 5A ($/Mcf)	**2.30**	5.10	**2.64**	5.31
Exchange rate - US$/CDN$	**0.73**	0.74	**0.74**	0.77

PPR's fourth quarter 2023 revenue decreased by 25% or $6.3 million from the fourth quarter of 2022, primarily due to lower commodity pricing and lower production volumes. Oil & condensate revenue for the fourth quarter of 2023 decreased by 19% or $3.8 million, compared to the corresponding period in 2022, primarily due to an 11% decrease in crude oil & condensate production volumes and a 9% decrease in crude oil & condensate pricing.

Fourth quarter 2023 natural gas revenue decreased by 62% or $2.3 million compared to the same quarter in 2022, primarily attributable to a 58% decrease in realized natural gas prices and an 8% decrease in production volumes.

The Company's average realized price per boe for the fourth quarter of 2023 decreased by 18% or $12.83/boe compared to the same period in 2022, correlating to decreases in the underlying realized prices across all products. On a year-over-year basis, revenue decreased by 34% or $40.8 million primarily attributable to a 27% decrease in realized price per boe and a 13% decrease in production volumes.

Royalties

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Royalties	**3,455**	5,301	**11,868**	20,398
Per boe	**11.00**	15.35	**9.14**	13.72
Percentage of revenue	**18.8 %**	20.7 %	**14.9 %**	16.8 %

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.

Fourth quarter and year ended December 31, 2023 royalties decreased by $1.8 million and $8.5 million, respectively, compared to the corresponding periods in 2022 due to lower revenue in 2023 compared to 2022 as a result of lower pricing and production.

On a percentage of revenue basis, royalties for the three months and year ended December 31, 2023 decreased compared to the corresponding periods in 2022 due to lower average royalty rates linked to lower realized commodity prices.

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. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Realized loss on derivatives	**(302)**	(4,305)	**(931)**	(25,508)
Unrealized gain on derivatives	**126**	5,139	**1,606**	7,282
Total gain (loss) on derivatives	**(176)**	834	**675**	(18,226)

Per boe				
Realized loss on derivatives	**(0.96)**	(12.47)	**(0.72)**	(17.16)
Unrealized gain on derivatives	**0.40**	14.88	**1.24**	4.90
Total gain (loss) on derivatives	**(0.56)**	2.42	**0.52**	(12.26)

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

The unrealized gain on derivatives recognized for the three months and year ended December 31, 2023 is primarily related to losses becoming realized.

As at December 31, 2023, the Company held the following outstanding derivative contracts:

Remaining Term	Reference	Total Daily Volume (bbl)	Premium/ bbl	Weighted Average Price/ bbl
Crude Oil Put Spread Options (No Ceiling)				
January 01, 2024 - March 31, 2024	US$ WTI	1,000	3.95 (1)	$50.00/60.00

1 Deferred premiums, payable upon settlement of the derivative contracts.

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

Operating Expenses

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	2023	2022	2023	2022
Lease operating expense	10,475	11,046	37,932	38,838
Transportation and processing	1,302	1,758	5,249	7,050
Total operating expenses	11,777	12,804	43,181	45,888
Per boe	37.50	37.08	33.25	30.88

During the three months ended December 31, 2023, lease operating expenses decreased by 5% or $0.6 million compared to the same periods in 2022 primarily due to lower fuel and electricity costs and lower production volumes. Lease operating expenses for the year ended December 31, 2023 remained materially consistent with prior year.

Transportation and processing expenses for the three months and year ended December 31, 2023 decreased by 26% or $0.5 million and 26% or $1.8 million, respectively, compared to the same periods in 2022, primarily due to lower production.

On a per boe basis, total operating expense for the three months and year ended December 31, 2023 increased by 1% or $0.42/boe and 8% or $2.37/boe, respectively, compared to the same periods in 2022. In addition to the above mentioned factors, the increases also related to distributing fixed operating costs over lower production volumes.

Operating Netback[1]

	Three Months Ended December 31,		Years Ended December 31,	
($ per boe)	2023	2022	2023	2022
Revenue	58.54	71.37	61.46	81.14
Royalties	(11.00)	(15.35)	(9.14)	(13.72)
Operating expenses	(37.50)	(37.08)	(33.25)	(30.88)
Operating netback	10.03	18.94	19.07	36.54
Realized losses on derivatives	(0.96)	(12.47)	(0.72)	(17.16)
Operating netback, after realized losses on derivatives	9.07	6.47	18.35	19.38

1 Operating Netback is a non-GAAP financial measures and is defined below under "Non-GAAP and Other Financial Measures".

PPR's operating netback after realized losses on derivatives were $9.07/boe and $18.35/boe for the three months and year ended December 31, 2023, respectively, representing an increase of $2.60/boe for the three month period compared to 2022 and a decrease of $1.03/boe for the year compared to 2022.
For the three months ended December 31, 2023, the increase in operating netback, after realized losses on derivatives, was primarily attributable to lower realized losses on derivatives as a result of a lower number of derivatives outstanding compared to the corresponding three-month period in 2022 and lower royalties in the fourth quarter of 2023, partially offset by an increase in operating expense per boe. The decrease for the year ended December 31, 2023 was primarily attributable to lower revenues and increased operating expenses, partially offset by realized losses on derivatives and lower royalties, partially offset by lower revenues and increased operating expenses compared to the same period of 2022.

The Company's operating netback for the three months and year ended December 31, 2023 decreased primarily as a result of lower production and lower realized prices during 2023 compared to the same periods in 2022.

General and Administrative Expenses ("G&A")

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Gross cash G&A expenses	**2,339**	1,943	**10,369**	8,237
Gross share-based compensation expense	**154**	315	**306**	519
Less amounts capitalized	**(64)**	(259)	**(188)**	(1,124)
Net G&A expenses	**2,429**	1,999	**10,487**	7,632
Per boe	**7.74**	5.79	**8.08**	5.13

For the three months ended December 31, 2023, gross cash G&A increased $0.4 million compared to the same period in 2022 primarily attributable to employee related costs. Gross cash G&A increased $2.1 million in the year ended December 31, 2023 compared to 2022 primarily due to higher professional fees and employee related costs.

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 $0.2 million and $0.2 million for the three months and year ended December 31, 2023, respectively, compared with the same periods in 2022. During 2023 the Company granted 2.8 million options, 2.0 million RSUs and 2.5 million DSUs in the year under the Company's share-based compensation program.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. The decrease in Capitalized G&A in both the three months and year ended December 31, 2023 was a result of reduced capital activity while the Company focused on its cash management.

Finance Costs

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Cash interest expense	**2,431**	2,022	**10,362**	6,225
Deferred interest expense	**1,202**	1,561	**3,743**	4,272
Non-cash interest on debt modification and warrant liabilities	**21**	945	**1,386**	4,781
Amortization of financing costs	**—**	50	**34**	199
Non-cash interest on leases	**1**	23	**19**	169
Accretion – decommissioning liabilities	**845**	703	**3,320**	2,632
Accretion – other liabilities	**49**	2	**53**	9
Total finance cost	**4,549**	5,306	**18,917**	18,287
Interest expense per boe	**11.57**	10.38	**10.86**	7.06
Non-cash interest and accretion expense per boe	**2.92**	4.99	**3.71**	5.24

Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. Deferred interest expense is interest expense which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance to the underlying borrowing agreements. The increase in Interest Expense of $0.1 million and $3.6 million for the three months and year ended December 31, 2023, respectively, compared to the corresponding periods in 2022 was attributable to an increase in all borrowing rates on the Company's debt and the issuance of the Second Lien Notes in March 2023. This increase was partially offset by the extinguishment of the Senior Notes in May 2023.

The weighted average effective interest rates for the three months and year ended December 31, 2023 were 17.2% and 17.9% respectively (2022 – 8.5% and 6.8%, respectively). The increase in 2023 is attributable to an increase in all borrowing rates on the Company's debt compared to 2022.

Accretion on decommissioning liabilities increased by $0.1 million and $0.7 million during the three months and year ended December 31, 2023, respectively, compared to the same periods in 2022, due to higher risk-free discount rates applied during 2023.

(Gain) Loss on Foreign Exchange

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Realized (gain) loss on foreign exchange	**(135)**	(4,949)	**(102)**	239
Unrealized (gain) loss on foreign exchange	**(558)**	3,927	**(408)**	5,237
(Gain) loss on foreign exchange	**(693)**	(1,022)	**(510)**	5,476

Foreign exchange (gains) losses incurred in the three months and year ended December 31, 2023 related largely to the translation impact on US dollar denominated borrowings (see “Capital Resources and Liquidity” section below). The difference in the Company's unrealized gain on foreign exchange for year ended December 31, 2023 compared to the loss in same period of 2022 was primarily attributable to the extinguishment of the US dollar denominated senior notes in May 2023 as part of the Company's Recapitalization transaction.

Exploration and Evaluation ("E&E") Expense

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Exploration and evaluation expense	**378**	29	**406**	967
Per boe	**0.29**	0.08	**0.31**	0.65

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

Depletion and Depreciation

	Three Months Ended December 31,		Years Ended December 31,	
($000s, except per boe)	**2023**	2022	**2023**	2022
Depletion and depreciation	**3,026**	4,483	**16,533**	21,535
Depreciation on right-of-use assets	**48**	449	**460**	1,851
Total depletion expense	**3,074**	4,932	**16,993**	23,386
Per boe	**9.79**	14.28	**13.09**	15.73

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. The decrease in the depletion expense during 2023 from 2022 is driven by lower production volumes and decreases in the depletable base of the Company's assets primarily due to the impairment losses recorded in the year and reductions in Company's ARO estimates.

Impairment Loss (Recovery)

	Three Months Ended December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
E&E impairment	**—**	—	**—**	—
E&E impairment – decommissioning asset loss (recovery)	**3,906**	(317)	**3,906**	(531)
Total E&E impairment loss (recovery)	**3,906**	(317)	**3,906**	(531)
P&D impairment loss (recovery)	**1,013**	7,500	**15,484**	(7,500)
P&D impairment – decommissioning asset loss (recovery)	**1,165**	(6,330)	**(1,460)**	(8,787)
Total P&D impairment (recovery) loss	**2,178**	1,170	**14,024**	(16,287)
Impairment loss on assets held for sale	**3,008**	—	**3,008**	—
Total impairment loss (recovery)	**9,092**	853	**20,938**	(16,818)

During the three months and year ended December 31, 2023, the Company recognized non-cash impairment loss of $5.1 million and $2.4 million, respectively, related to changes in decommissioning liabilities of certain properties that had zero carrying value compared to impairment reversals of $6.6 million and $9.3 million, respectively, in the same periods in 2022.

For the year ended December 31, 2023, an impairment loss was recorded on the Company's non-core Provost and Other CGUs of $1.0 million to bring the carrying value of the CGUs to zero. This impairment was isolated to the Company's non-core CGUs and there were no indicators of impairment or impairment reversal on any of its other CGUs.

The Company classified its Evi CGU as assets held for sale following the announcement of the two strategic asset sales on October 30, 2023. The Evi CGU was recorded at the lesser of its fair value less costs of disposal and its carrying amount, resulting in an impairment loss of $3.0 million recorded to property, plant and equipment, bringing the total impairment recorded with respect to the Evi CGU in 2023 to $17.5 million.

Fourth quarter 2022 P&D impairment expense related to a P&D impairment of the Evi CGU of $7.5 million driven by decreased production in the area, offset by changes in decommissioning liabilities of certain properties that had zero carrying value. During the year ended December 31, 2022, the Company recorded a net impairment reversal of $7.5 million as a result of a $15.0 million impairment reversal of the Evi CGU recorded in March 2022 related to increased commodity pricing offset by the fourth quarter impairment mentioned above.

PPR assessed and concluded there were no indicators of impairment or impairment reversal for its E&E assets as at December 31, 2023 or 2022.

Net Loss

	Three Months Ended December 31,		Years Ended December 31,	
($000s except per share)	**2023**	2022	**2023**	2022
Net loss	**(16,484)**	(2,890)	**(20,119)**	(2,402)
Per share – basic	**(0.02)**	(0.02)	**(0.04)**	(0.02)
Per share – diluted	**(0.02)**	(0.02)	**(0.04)**	(0.02)

Net loss for the fourth quarter of 2023 was $16.5 million, compared to net loss of $2.9 million in the same quarter of 2022, primarily attributable to lower production and lower realized prices as well as impairment losses.

For the year ended December 31, 2023, net loss was $20.1 million compared to the net loss of $2.4 million in the same period of 2022. The $17.7 million increase in net loss was primarily due to lower revenues and the impairment losses recorded, partially offset by a net gain on derivative instruments, and gains on the extinguishment and revaluation of financial liabilities as part of the Company's Recapitalization which occurred in May 2023.

Net Capital Expenditures[1,2]

($000s)	Three Months Ended December 31, 2023	2022	Years Ended December 31, 2023	2022
Drilling and completion	181	348	181	10,705
Equipment, facilities and pipelines	12	501	12	6,949
Land and seismic	493	116	493	445
Capitalized overhead and other	32	247	38	1,132
Total capital expenditures	718	1,212	724	19,231
Asset dispositions (net of acquisitions)	(44)	(4)	(669)	(27)
Net capital expenditures	674	1,208	55	19,204

[1] Net capital expenditures include expenditures on E&E assets.
[2] Net capital expenditures are non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

Capital expenditures prior to acquisitions or dispositions for the three months and year ended December 31, 2023 were $0.7 million and $0.7 million, respectively. During 2023, minimum capital expenditures were incurred in comparison to the prior period as the Company focused on its Recapitalization transaction and managing its working capital. No wells were drilled in 2023.

Capital expenditures prior to acquisitions or dispositions for the three months and year ended December 31, 2022 were $1.2 million and $19.2 million, respectively. During 2022, the Company focused its capital activities on drilling one gross (1.0 net) well in the Princess area and two gross (2.0 net) wells in the Michichi area for $8.5 million and spending $8.2 million on facilities, reactivations and optimizations.

Assets Held for Sale

At October 31, 2023, the Company classified its Evi CGU and certain non-core Provost assets as assets held for sale following the announcement of the two strategic asset sales on October 30, 2023. Immediately prior to classification as held for sale an impairment loss of $3.0 million was recorded on the Company's Evi CGU to reduce its carrying amount to its fair value less costs of disposal. Subsequent to December 31, 2023, the Company closed both asset sales.

($000s)	PP&E	E&E	Decommissioning liability	Other liabilities
Assets (liabilities) held for sale	50,058	373	(27,360)	(450)

Decommissioning Liabilities

PPR’s decommissioning liabilities at December 31, 2023, excluding liabilities associated with assets held for sale, were $71.8 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 $42.5 million from December 31, 2022 was primarily due to classifying $27.4 million to liabilities held for sale, settlements, including government grants, of $8.5 million and changes in estimates of $9.9 million, partially offset by $3.3 million of accretion recorded in 2023.

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, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities with assets held for sale, to be approximately $187.7 million (December 31, 2022 – $254.6 million). Liability payments are estimated over the next 55 years, based on an inflation rate of 1.8% (December 31, 2022 – 1.8%) and discounted at risk-free rates of 3.27% - 3.92% (December 31, 2022 - 2.77% - 2.93%). Of the estimated undiscounted future liabilities, $20.0 million is estimated to be settled over the next five years. The Company's Evi CGU and certain non-core Provost assets have been excluded as they have been classified as assets held for sale at October 31, 2023. 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.

Income Tax

As of December 31, 2023 and 2022, the Company did not recognize any deferred tax assets in excess of taxable temporary differences as there was insufficient evidence to indicate that it was probable that future taxable profits in excess of profits arising from the reversal of existing temporary difference would be generated to utilize the existing deferred tax assets.

Capital Resources and Liquidity

Capital Resources

Working Capital

At December 31, 2023, the Company had working capital deficit (as defined in "Other Advisories" below) of $8.0 million (December 31, 2022 – working capital deficit of $11.1 million). The decrease in working capital deficit from December 31, 2022 resulted from the Company's ability to reduce its accounts payable and accrued liabilities throughout the year, partially offset by a lower cash and accounts receivable balance attributable to lower revenues during the year ended December 31, 2023.

Revolving Facility

The Revolving Facility has a maturity date of July 1, 2024. Borrowings under the Revolving Facility are repayable at the Company's election at par plus accrued interest and any applicable breakage costs. Repayments generally will not affect the aggregate commitment or borrowing base under the Revolving Facility, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The Revolving Facility is denominated in USD, but accommodates CAD advances up to $41.1 million. As at December 31, 2023, the Company had nil (2022 - nil) available borrowing capacity as the lender indicated no additional draws were possible. All notes were issued at par by PPR Canada and are guaranteed by Prairie Provident Resources Inc. and certain of its other subsidiaries and secured by a US$200 million debenture.

The next scheduled borrowing base re-determination 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. Amounts borrowed under the Revolving Facility bear interest based on reference bank lending rates in effect from time to time, plus an applicable margin. Applicable margins per annum are 950 basis points and standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

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

($000s)	December 31, 2023	December 31, 2022
USD Advances (US$19.0 million (December 31, 2022 - US$19.0 million))[1]	25,129	25,735
CAD Advances (US$30.0 million (December 31, 2022 - US$30.0 million))[2]	40,530	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2022 - US$0.4 million)[2]	543	541
Revolving Facility (US$49.4 million (December 31, 2022 - US$49.4 million))	66,202	66,806

[1] Converted using the month end exchange rate of $1.00 USD to $1.32 CAD as at December 31, 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.

As at December 31, 2023, PPR had outstanding letters of credit of $4.2 million (December 31, 2022 – $4.1 million). The letters of credit are issued by a financial institution at which PPR posted a cash deposits as collateral. The related deposits are classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

As at December 31, 2023, there were no deferred costs related to the Revolving Facility netted against its carrying value (December 31, 2022 – $0.2 million).

Subordinated Senior Notes

On March 29, 2023, the Company announced a comprehensive recapitalization plan (the "Recapitalization"). Under the Recapitalization, Senior Note amounts outstanding and associated warrants were converted to equity.

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 March 29, 2023. As a result of the extinguishment, the Company recognized a gain of $9.8 million, net of $2.0 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. The Company elected to treat the Senior Notes instruments at fair value through profit and loss and was classified as level 3 in the fair value hierarchy (see Note 3(f) for information on the fair value level hierarchy).

Subsequent to the initial fair value measurement at March 29, 2023, the Company revalued the Senior Notes to the date of their conversion to equity on May 16, 2023, resulting in a gain of $10.0 million on revaluation, net of $0.4 million of financing costs. In exchange for settlement of the Senior Notes on May 16, 2023, 514.4 million common shares of the Company were issued based upon an agreed repayment price equal to $0.14 per common share.

The following table provides a breakdown of Senior Notes principal and deferred interest balances at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate of $1.00 USD to $1.35 CAD as at December 31, 2022.

($000s)	**December 31, 2023**	December 31, 2022
Senior Notes Issued October 31, 2017		
Principal (US$16.0 million (December 31, 2022 - US$16.0 million))	—	21,671
Deferred interest (US$5.8 million (December 31, 2022 - US$5.3 million))	—	7,241
Total Principal and Deferred Interest - October 31, 2017 Senior Notes	—	28,912
Senior Notes Issued November 21, 2018		
Principal (US$12.5 million (December 31, 2022 - US$12.5 million))	—	16,930
Deferred interest (US$3.6 million (December 31, 2022 - US$3.3 million))	—	4,499
Total Principal and Deferred Interest - November 21, 2018 Senior Notes	—	21,429
Senior Notes Issued December 21, 2020		
Principal (US$11.4 million (December 31, 2022 - US$11.4 million))	—	15,424
Deferred interest (US$3.5 million (December 31, 2022 - US$3.1 million))	—	4,180
Total Principal and Deferred Interest - December 21, 2020 Senior Notes	—	19,604
Total Principal and Deferred Interest - Senior Notes	—	69,945

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 $4.0 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 December 31, 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. In addition to repayment of the principal balance on maturity, the Second Lien Note purchase agreement requires for a payment of deferred compensation of $1.3 million on the later of maturity or prepayment and the date on which the Revolver is full repaid. At December 31, 2023, the Company has recognized US$0.7 million of deferred compensation fee related to the Second Lien Notes.

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

($000s)	December 31, 2023	December 31, 2022
Second Lien Notes		
Principal (US$3.6 million (December 31, 2022 - nil))	4,817	—
Deferred interest (US$0.5 million (December 31, 2022 - nil))	628	—
Deferred compensation (US$0.7 million (December 31, 2022 - nil))	98	—
Total Principal and Deferred Interest	6,429	—

Covenants

The note purchase agreement for the Revolving Facility, the Second Lien Notes agreement and related parent and subsidiary guarantees contain various covenants on the part of the Company and its subsidiaries including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, capital expenditures, hedging activities, investments, dividends and mergers and acquisitions. In addition, capital expenditures and acquisitions are generally limited to consistency with the Company's annual development plan, as created and updated by the Company from time to time and approved by the lenders.

The agreements for the Revolving Facility and the Senior Notes include the same financial covenants, with less restrictive thresholds under the Senior Notes agreements.

The applicable financial covenants thresholds as at December 31, 2023 are as follows:

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement	As at December 31, 2023
Senior Leverage[1]	Cannot exceed 3.50 to 1.00	Cannot exceed 3.75 to 1.00	4.08
Asset Coverage[2]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.78 to 1.00	1.67 to 1.00

[1] Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness to EBITDAX for the four quarters most recently ended. Senior adjusted indebtedness is defined as Adjusted Indebtedness less subordinated borrowings. Adjusted Indebtedness is defined as borrowings less outstanding letters of credit for which PPR has issued cash collateral. Bank Adjusted EBITDAX corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non- cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

[2] Under the debt agreements, the Asset Coverage ratio is the ratio of the net present value of estimated future net revenue from proved reserves (discounted at 10% per annum) adjusted for hedging transactions to Adjusted Indebtedness (as defined above).

The Company was in breach of its Senior Leverage as well as certain non-financial covenants as at December 31, 2023 and subsequently received a waiver from the lenders. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities, and the contractual maturity of all facilities has not changed as a result of these defaults. As of March 28, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with terms of the agreements in future periods.

During the third quarter of 2023, the Company amended certain debt covenants with the removal of the current ratio covenant and updating the Senior Leverage ratio covenant. The amended debt covenants for the Revolving Facility and the Second Lien Notes, respectively, are below:

- Senior leverage ratio cannot exceed:

- 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.

Shareholders' Equity

At December 31, 2023, PPR had consolidated share capital of $147.3 million (December 31, 2022 – $101.5 million) and had 715.6 million (December 31, 2022 – 130.1 million) outstanding common shares. The Company had 48.0 million warrants outstanding as at December 31, 2023 (December 31, 2022 – 34.3 million).

The table below provides information on our share-based compensation program including grants in the current year and balances outstanding as at the periods presented:

	Options[1]	RSUs	Deferred Share Units ("DSUs")
Units granted during the year ended December 31, 2023	**2,760,000**	**2,040,000**	**2,500,000**
Balance outstanding as at December 31, 2023	**4,456,894**	**2,071,667**	**3,465,134**
Balance outstanding as at December 31, 2022	2,758,523	947,401	965,134

[1] Outstanding options as at December 31, 2023 had a weighted average strike price of $0.13 per share, of which 0.8 million were exercisable at a weighted average strike price of $0.16 per share.

Options were granted to Management and Directors of the Company and vest evenly over a three-year period and expire five years after the grant date. RSUs are granted to Management and vest in three tranches, with the first and second tranches vesting on the first and second anniversary of the grant date, respectively. The third tranche vests on December 15th following the vesting of the second tranche. DSUs are granted to non-management directors of the Company and 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 of the date of this MD&A, there are 716.1 million common shares, 2.0 million RSUs, 3.9 million stock options, 3.0 million DSUs and 48.0 million warrants outstanding.

Capital Management and Liquidity

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.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As outlined in Capital Resources and Liquidity section of the MD&A, the Company had nil borrowing capacity under the Revolving Facility. In addition, the Revolving Facility and the Second Lien Notes are set to mature on July 1, 2024, and December 31, 2024, respectively.

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. The Recapitalization was completed on May 16, 2023, ahead of its original May 31, 2023 deadline to avoid an event of default.

PPR monitors its capital structure using the ratio of Senior Leverage to trailing twelve months' Bank Adjusted EBITDAX (as defined in "Other Advisories" below). Senior Leverage to EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The Company's goal is to manage this ratio within the financial covenants imposed on it under its outstanding debt agreements. As at December 31, 2023, the Company was in breach of this financial covenant as well as certain non-financial covenants. These covenant breaches created a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities, and the contractual maturity of all facilities has not changed as a result of these defaults. As of April 1, 2024, these defaults have been waived, and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods.

Given the current financial position of the Company and the breach of certain covenants at December 31, 2023, there is no certainty the Company will be able to meet its cash flow requirements as they fall due or meet its covenants under its lending long-term debt agreements in the future. The Company requires extensions of the maturity dates on both its Revolving Facility and Second Lien Notes prior to July 1, 2024, as well as deferrals of scheduled interest payments and relaxations of existing financial covenant requirements under its Revolving and Second Lien Notes based on the Company's current cash flow forecast for 2024. If the Company's Revolving Facility is not extended past July 1, 2024, the Company does not have the ability to repay the amounts due on maturity which would represent an event of default under both the Revolving Facility and Second Lien Notes. In such case, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

The next scheduled borrowing base re-determination for the Revolving Facility is Spring 2024 based on the December 31, 2023 reserves evaluation. The lenders have sole discretion on the determination of the borrowing base, which is based predominantly on the amount of the Company's proved developed producing oil and nature 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 matters described above, there is material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Please refer to Note 2(b) of the Annual Financial Statements for further discussion.

Contractual Obligations, Commitments and Contingencies

The Company has non-cancellable contractual obligations summarized as follows:

	2024	2025	2026	2027	2028	Thereafter	Total
Debt (interest and principal)	79,934	—	—	—	—	—	79,934
Leases - variable	340	198	—	—	—	—	538
Firm transportation agreements	265	128	8	2	1	—	404
Other agreements	280	43	30	31	32	218	634
Total	80,819	369	38	33	33	218	81,510

Contractual obligations and commitments are outlined in Note 23 of the Annual Financial Statements. The table above excludes contractual obligations for lease payments which are recorded as lease liabilities (see Note 11 of the Annual Financial Statements).

In addition to contractual commitments, the Company has estimated future decommissioning liabilities of $187.7 million, excluding the Evi CGU and certain non-core Provost assets reclassified as liabilities associated with assets held for sale, on an undiscounted basis, inflated at 1.8%, of which $20.0 million is estimated to be incurred over the next five years.

Contingencies

PPR is involved in litigation and claims arising in the normal course of operations. Such claims are not expected to have a material impact on the Company's results of operations or cash flows.

Subsequent Event

Property dispositions

Subsequent to year-end, the Company completed two property dispositions resulting in net cash proceeds of $24.2 million. Of the proceeds received, $20 million (US$14.7 million) was used to reduce advances under the Revolving Facility, with remainder used to increase its 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.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Production Volumes								
Crude oil (bbl/d)	2,049	2,155	2,292	2,269	2,303	2,500	2,645	2,600
Natural gas (Mcf/d)	7,374	7,685	7,518	8,180	8,014	8,857	8,987	8,763
Natural gas liquids (bbl/d)	135	88	97	100	114	120	126	115
Total (boe/d)	3,413	3,523	3,641	3,733	3,753	4,096	4,269	4,175
% Liquids	64 %	64 %	66 %	63 %	64 %	64 %	65 %	65 %
Financial								
Oil and natural gas revenue	18,382	21,701	19,615	20,105	24,642	28,439	38,145	29,372
Royalties	(3,455)	(3,217)	(1,764)	(3,432)	(5,301)	(5,333)	(6,187)	(3,577)
Unrealized (loss) gain on derivatives	126	(551)	(80)	2,110	5,139	8,200	4,061	(10,118)
Realized (loss) gain on derivatives	(302)	(320)	285	(594)	(4,305)	(6,355)	(9,296)	(5,552)
Revenue net of realized and unrealized (loss) gain on derivatives	14,751	17,613	18,056	18,189	20,175	24,951	26,723	10,125
Net earnings (loss)	(16,484)	(2,690)	(8,798)	7,853	(2,890)	(1,503)	3,888	(1,897)
Per share – basic	(0.02)	—	(0.02)	0.06	(0.02)	(0.01)	0.03	(0.01)
Per share – diluted	(0.02)	—	(0.02)	0.05	(0.02)	(0.01)	0.02	(0.01)
AFF [(1)]	(1,122)	83	(229)	(2,188)	(2,681)	(213)	7,887	4,815
Per share – basic	—	—	—	(0.02)	(0.02)	—	0.06	0.04
Per share – diluted	—	—	—	(0.02)	(0.02)	—	0.05	0.04
AFF - excluding decommissioning settlements [(1)]	630	4,604	1,332	(1,658)	398	1,810	8,189	6,939
Per share – basic	—	0.01	—	(0.01)	—	0.01	0.06	0.05
Per share – diluted	—	0.01	—	(0.01)	—	0.01	0.05	0.05

[1] AFF is a non-GAAP measure and is 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 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.

Fourth quarter 2023 oil and natural gas revenue decreased from the prior quarter due to lower realized prices per boe and lower production. The Company realized a net loss of $16.5 million in the fourth quarter of 2023, largely as a result of lower realized pricing and production volumes as well as impairment losses recorded related to changes in decommissioning liabilities of certain properties that had zero carrying value and on the Evi CGU which was impaired upon classification as assets held for sale.

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

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

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

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

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

Second quarter 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe coupled with increased production volumes. The Company realized $8.2 million in AFF (before decommissioning settlements of $0.3 million) and $3.9 million of net earnings in the second quarter of 2022 due to non-cash items including $2.7 million of impairment reversal and $4.1 million in unrealized gains on derivatives, partially offset by $2.4 million of unrealized foreign exchange losses, $4.2 million in non-cash finance costs and $6.6 million of depletion and depreciation expense.

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.

Annual Selected Financial and Operational Information

($000s except per unit amounts)	2023	2022	2021
Financial			
Oil and natural gas revenue	79,802	120,598	84,423
Net earnings (loss)	(20,119)	(2,402)	10,418
Per share - basic	(0.04)	(0.02)	0.08
Per share - diluted	(0.04)	(0.02)	0.06
AFF[1]	(3,456)	10,021	12,194
Per share - basic	(0.01)	0.08	0.09
Per share - diluted	(0.01)	0.06	0.07
AFF - excluding decommissioning settlements[1]	4,906	15,526	15,470
Per share - basic & diluted	0.01	0.12	0.11
Per share - diluted	0.01	0.09	0.09
Net capital expenditures[1]	55	19,204	14,706
Total assets	167,334	223,130	232,963
Total liabilities	210,224	292,243	299,523
Long-term debt (including current portion)	72,631	126,350	109,355
Weighted average shares outstanding			
Basic	497,283	129,295	136,944
Diluted	497,283	129,295	165,529
Operating			
Production Volumes			
Oil & condensate (bbls/d)	2,190	2,511	2,649
Natural gas (Mcf/d)	7,579	8,653	8,900
Natural gas liquids (bbls/d)	105	119	135
Total (boe/d)	3,558	4,072	4,268
% Liquids	64 %	65 %	65 %
Average Realized Prices			
Oil & condensate ($/bbl)	88.50	108.82	71.86
Natural gas ($/Mcf)	2.55	5.52	3.73
Natural gas liquids ($/bbl)	53.05	79.41	57.25
Total ($/boe)	61.46	81.14	54.19
Operating Netback ($/boe)[1]			
Realized price	61.46	81.14	54.19
Royalties	(9.14)	(13.72)	(6.16)
Operating costs	(33.25)	(30.88)	(25.16)
Operating netback	19.07	36.54	22.87
Realized gains (losses) on derivative instruments	(0.72)	(17.16)	(6.13)
Operating netback, after realized (losses) gains on derivative instruments	18.35	19.38	16.74

[1] AFF, net capital expenditures and operating netback are non-GAAP measures and are defined below under "Non-GAAP and Other Financial Measures".

Revenue decreased during 2023 primarily due to decreases in benchmark prices and decreases in production of 514 boe/d or 13% from 2022 due to natural decline and limited capital activity while the Company focused on its recapitalization efforts. Revenue increased during 2022 primarily due to substantial increases in benchmark prices, partially offset by a decrease in production of 196 boe/d or 5% from 2021 due to natural declines, partially offset by the 2022 drilling program.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") seek to ensure that information to be disclosed by Prairie Provident is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. The Chief Executive Officer and Chief Financial Officer have maintained, designed, or caused to be designed under their supervision, disclosure controls and procedures, as defined by National Instrument 52-109 Certification, to provide reasonable assurance that (i) material information relating to the Company is made known to the Company's Chief Executive Officer by others, particularly during the period in which the annual and interim filings are prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. As at December 31, 2023, the Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's DC&P. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's DC&P were effective as at December 31, 2023. All control systems by their nature can only provide reasonable, but not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting

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

The Company's Chief Executive Officer and Chief Financial Officer have maintained, designed, or caused to be designed under their supervision, internal control over financial reporting as defined in National Instrument 52-109. The control framework used by PPR's officers to design and evaluate the Company's ICFR is the Internal Control – Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their evaluation, the Interim Chief Executive Officer has concluded that the Company's ICFR was effective as of December 31, 2023. There have been no changes in the Company's ICFR during the period from January 1, 2023 to December 31, 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

IAS 1 – Disclosure of Accounting Policies

This amendment requires an entity to disclose material accounting policy information instead of significant accounting policies based on the nature of the information, even if the related amounts are immaterial.

IAS 8 – Definition of Accounting Estimates

This amendment distinguished 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.

IAS 12 – Income Taxes

The amendment changes the deferred tax initial recognitions exemption, which 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.

The Company completed its assessment of the impact of the amendments and concluded that they have an impact on PPR's disclosure of accounting policies and estimates, but not on the measurement, recognition or presentation or any items within the consolidated financial statements.

Refer to Note 4 of the Annual Financial Statements for a discussion of future accounting standard amendments.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

- PPR's oil and gas assets are grouped into cash generating units ("CGUs"). A CGU is the lowest level of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, geological formation, geographical proximity, the existence of common sales points and shared infrastructures and the way in which management monitors its operations. The recoverability of PPR's oil and gas assets is assessed at the CGU level, and therefore, the determination of a costs could have a significant impact on impairment losses or impairment reversals;

- Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; (iii) the determination of net recoverable amount of oil and gas properties for impairment assessment and measurement, and (iv) the determination of reserve lives which affect the timing of decommissioning activities, all of which could have a material impact on earnings and financial positions;

- Recoverable amounts calculated for impairment testing are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rates as well as future development costs, royalties, and operating costs. These calculations require the use of estimates and assumptions, which by their nature, are subject to measurement uncertainty. In addition, judgment is exercised by management as to whether there have been indicators of impairment or of impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: market value of assets, asset performance, estimate of future prices, royalties and costs, estimated quantity of reserves and appropriate discount rates;

- Amounts recorded for decommissioning liabilities and the related accretion expense require the use of estimates with respect to the amount and timing of decommissioning expenditures, inflation rates and discount rates. Actual costs and cash outflows can differ from estimates because of changes in law and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow;

- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The Company is also subject to income tax audits and reassessments which may change its provision for income taxes. Therefore, the determination of income taxes is by nature complex, and requires making certain estimates and assumptions. PPR recognizes net deferred tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted;

- Management applies judgment in reviewing modifications of financial liabilities to determine if the modifications are considered substantial, including the consideration of qualitative and quantitative factors. The classification of a modification as non-substantial or substantial impacts the accounting treatment for the financial liability as to the implementation of modification accounting or extinguishment accounting and as such, may have material implications on the financial statements; and

- The Annual Financial Statements and MD&A have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities and commitments in the normal course of business within the foreseeable future. Management uses judgment to assess the Company's ability to continue as a going concern and the conditions that cash doubt upon the use of the going concern assumption.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other oil and gas operators and the business risks are very similar. Significant risks are summarized below. Additional risks are provided in the "Risk Factors" section of the 2023 Annual Information Form filed on SEDAR+ at www.sedarplus.ca.

Risks Associated with Commodity Prices

- PPR's operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for crude oil and natural gas production. Decreasing crude oil and natural gas prices and/or widening of oil price differentials will affect the Company's cash flows, impact its level of capital expenditures and may result in the shut-in of certain producing properties. Longer-term adverse forward pricing outlook could also result in write-down of the Company's carrying values of its oil and gas assets.

- The Revolving Facility has a reserves-based borrowing capacity. Decreases in future commodity prices may negatively impact the borrowing capacity and restrict PPR's liquidity and impact the Company's ability to meet the associated covenants.

- PPR may manage the risk associated with changes in commodity prices by entering into crude oil or natural gas price derivative contracts. If PPR engages in activities to manage its commodity price exposure, it may forego the benefits it would otherwise experience if commodity prices were to increase. In addition, activities related to commodity derivative contracts could expose the Company to losses. To the extent that PPR engages in risk management activities related to commodity prices, it would be subject to the credit risks associated with the counterparties with which it contracts.

Risks Associated with Operations

- The markets for crude oil and natural gas produced in Western Canada are dependent upon available capacity to refine crude oil and process natural gas as well as pipeline or other methods to transport the products to consumers. Pipeline capacity and natural gas liquids fractionation capacity in Alberta have not kept pace with the drilling of liquids-rich gas properties in some areas of the province which may limit production periodically.

- Exploration and development activities may not yield anticipated production, and the associated cost outlay may not be recovered. In addition, the costs and expenses of drilling, completing and operating wells are often uncertain.

- Continuing production from a property is largely dependent upon the ability of the operator of that property. A portion of PPR's production is either operated by third parties or dependent on third-party infrastructure and PPR has limited ability to influence costs on partner-operated properties. To the extent the operator fails to perform their duties properly, PPR's operating income from such properties may be reduced.

- Exploration and development activities are dependent on the availability of drilling, completion and related equipment in the particular areas where the activities are conducted. Demand for limited equipment or access restrictions may negatively impact the availability of such equipment to PPR and delay exploration and development activities.

- The operations of oil and gas properties involves a number of operating and natural hazards which may result in health and safety incidents, environmental damage and other unexpected and/or dangerous conditions.

- The operations of oil and gas properties are subject to environmental regulation pursuant to local, provincial and federal legislation. Changes in these regulations could have a material adverse effect on operating and capital costs. A breach of such legislation may result in the imposition of fines as well as higher operating standards that may increase costs. Public support for climate change action has grown in recent years. Governments in Canada and globally have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation. Existing and future laws and regulations may impose significant compliance costs or liabilities on failure to comply with requirements. Additionally, the impact of climate change results in physical risks as extreme variability of weather patterns could result is the damage of physical assets, significant downtime or other operational disruptions.

- PPR’s corporate environment, health and safety program has a number of specific policies and practices to minimize the risk of safety hazards and environmental incidents. It also includes an emergency response program should an incident occur. If areas of higher risk are identified, PPR will undertake to analyze and recommend changes to reduce the risk including replacement of specific infrastructure. In addition to the above, PPR maintains business interruption insurance, commercial general liability insurance as well as specific environmental liability insurance, in amounts consistent with industry standards. Although PPR carries industry standard property and liability insurance on its properties, losses associated with potential incidents could potentially exceed insurance coverage limits.

Risks Associated with Reserve Estimates

- The reservoir and recovery information in reserve reports prepared by independent reserve evaluators are estimates and actual production and recovery rates may vary from the estimates and the variations may be significant. The reserves estimation process is inherently complex and subjective. The process relies on interpretations of available geological, geophysical, engineering, economic and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgement of those preparing the estimate. Reserves data impacts not only PPR’s financial statements, but also business decisions such as those pertaining to merger and acquisitions, and the assessment of capital projects for development and budgeting. Uncertainties around reserves estimates could have a profound impact on PPR’s financial position, operating performance and strategic plans.

Risks Associated with Capital Resources

- Absent capital reinvestment or acquisition, PPR’s reserves and production levels from petroleum and natural gas properties will decline over time as a result of natural declines. As a result, cash generated from operating these properties may decline. A decrease in reserves levels will also negatively impact the borrowing base under outstanding credit facilities.

- PPR is required to comply with covenants under outstanding debt agreements. In the event the Company does not comply with the covenants, its access to capital may be restricted. Any additional indebtedness brings the Company closer to its financial covenant limits, which increases the possibility of adverse changes in revenues, expenses, assets or liabilities resulting in non-compliance with financial covenants. Any such future non-compliance could result in adverse action by the lenders, including the imposition of limits on further borrowing.

- There have been high levels of price and volume volatility of publicly-traded securities in the last couple of years, particularly in the oil and natural gas exploration and development industry. Fluctuations in prices have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. Market fluctuations may hinder the Company’s ability to raise equity.

- To the extent that external sources of capital become limited or unavailable or available on unfavourable terms, PPR's ability to make capital investments, meet its capital commitments, and maintain or expand existing assets and reserves may be impaired and PPR's assets, liabilities, business, financial condition, and results of operations may be materially or adversely affected as a result.

- Fluctuations in interest rates could result in increases in the amount PPR pays to service future debt. World oil prices are quoted in US dollars and the price received by Canadian producers is therefore affected by the Canadian/US dollar exchange rate. A material increase in the value of the Canadian dollar may negatively impact PPR’s net production revenue.

- PPR is exposed to exchange rate risk from its US dollar denominated long-term debt. Material adverse changes to the Canadian dollar and US dollar exchange rate could negatively impact PPR’s cash flow related to interest and principal payments.

- Although the Company monitors the credit worthiness of third parties with which it contracts, there can be no assurance that the Company will not experience a loss for nonperformance by any counterparty with whom it has a commercial relationship. Such events may result in material adverse consequences to the business of the Company.

Associated with Acquisitions

- Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Company's control. All such assessments involve a measure of geological, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

- Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets and the Company's securities.

- There may be liabilities that the Company failed to discover or was unable to quantify in its due diligence review conducted prior to the execution of an acquisition, and which could have a material adverse effect on the Company's business, financial condition or future prospects.

- Achieving the benefits of an acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from integrating the assets into its existing portfolio of properties. The integration of the assets requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect its ability to achieve the anticipated benefits of the acquisition.

General Business Risks

- The operations of PPR are conducted under permits issued by the federal and provincial governments and these permits must be renewed periodically. The federal and provincial governments may make operating requirements more stringent, which may require additional spending.

- Provincial programs, including royalty regimes and environmental regulations, related to the oil and gas industry may change in a manner that adversely impacts the Company. Future amendments to any of these programs could result in reduced cash flow and operating results.

- The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in Western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells, there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law, which may make the conduct of PPR’s business more expensive or prevent the Company from conducting its business as it currently does.

- The operation of oil and gas properties requires physical access for people and equipment on a regular basis, which could be affected by weather, accidents, government regulations or third-party actions.

- Skilled labor is necessary to run operations (both those employed directly by PPR and by the Company’s contractors) and there is a risk that it may have difficulty sourcing skilled labor which could lead to increased operating and capital costs.

- The loss of a member of PPR’s senior management team and/or key technical operations employee could result in a disruption to the Company’s operations.

- Income tax laws, other laws or government incentive programs relating to the oil and gas industry, may in the future be changed or interpreted in a manner that affects PPR or its stakeholders.

- The Company has become increasingly dependent on the availability, capacity, reliability and security of its information technology (IT) systems and infrastructure. Should access to these systems be significantly interrupted, the operations of the Company could be disrupted.

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 and assets held for sale, 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)	**December 31, 2023**	December 31, 2022
Current assets	**66,386**	25,593
Less: current derivative instrument assets	**—**	—
Less: assets held for sale	**(50,431)**	—
Current assets excluding current derivatives instruments	**15,955**	25,593
Less: accounts payable and accrued liabilities	**(23,964)**	36,661
Working capital (deficit)	**(8,009)**	(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 netback 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 December 31,		Year Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Oil and natural gas revenue	**18,382**	24,462	**79,802**	120,598
Royalties	**(3,455)**	(5,301)	**(11,868)**	(20,398)
Operating expenses	**(11,777)**	(12,804)	**(43,181)**	(45,888)
Operating netback	**3,150**	6,537	**24,753**	54,312
Realized losses on derivatives	**(302)**	(4,305)	**(931)**	(25,508)
Operating netback, after realized losses on derivatives	**2,848**	2,232	**23,822**	28,804

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 December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Cash flows from (used in) operating activities	**2,819**	15,077	**(10,647)**	24,479
Changes in non-cash working capital	**(4,316)**	(17,789)	**6,112**	(15,817)
Other	**—**	31	**—**	102
Transaction, restructuring and other costs	**375**	—	**1,079**	1,257
Adjusted funds flow ("AFF")	**(1,122)**	(2,681)	**(3,456)**	10,021
Decommissioning settlements	**1,752**	3,079	**8,364**	5,505
AFF - excluding decommissioning settlements	**630**	398	**4,908**	15,526

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 December 31,		Years Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Net loss before income tax	**(16,484)**	(2,890)	**(20,119)**	(2,402)
Add (deduct):				
Interest	**3,702**	4,601	**15,595**	15,646
Depletion and depreciation	**3,026**	4,483	**16,533**	21,535
Depreciation on right-of-use assets	**48**	449	**460**	1,851
Exploration and evaluation expense	**378**	29	**406**	967
Unrealized gain on derivatives	**(126)**	(5,139)	**(1,606)**	(7,282)
Impairment loss (reversal)	**9,091**	853	**20,938**	(16,818)
Accretion	**847**	705	**3,322**	2,641
(Gain) loss on foreign exchange	**(693)**	(1,022)	**(510)**	5,476
Change in other liabilities	**209**	89	**652**	300
Share-based compensation	**154**	408	**306**	517
Gain on sale of properties	**—**	—	**—**	(23)
Gain on warrant liability	**—**	(2,058)	**(1,870)**	—
Non-cash other income	**—**	223	**(139)**	(1,676)
Transaction costs, reorganization and other costs	**375**	—	**1,079**	1,257
Gain on extinguishment	**558**	—	**(9,811)**	—
Gain on fair value adjustment of Senior Notes	**—**	—	**(10,042)**	—
Bank Adjusted EBITDAX	**1,085**	731	**15,194**	21,989

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 December 31,		Year Ended December 31,	
($000s)	**2023**	2022	**2023**	2022
Exploration and evaluation expenditures	**493**	—	**493**	216
Property and equipment expenditures	**187**	1,197	**193**	18,997
Capitalized stock-based compensation	**38**	—	**38**	3
Asset disposition (net of acquisition)	**(44)**	(4)	**(669)**	(27)
Net capital expenditures	**674**	1,193	**55**	19,189

Net Debt

Net debt is a non-GAAP financial 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)	**December 31, 2023**	December 31, 2022
Working capital (deficit) [1]	**(8,009)**	(11,068)
Borrowings outstanding (principal plus deferred interest)	**(72,631)**	(136,751)
Total net debt	**(80,640)**	(147,819)

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