Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2016

Dated: November 8, 2016

Advisories

The following management's discussion and analysis ("MD&A") of Prairie Provident Resources Inc. ("PPR" or the "Company") provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three and nine months ended September 30, 2016. This MD&A is dated November 8, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of PPR as at and for the three and nine months ended September 30, 2016 (the "Interim Financial Statements"), the audited annual combined and consolidated financial statements of Lone Pine Resources Inc. ("Lone Pine Resources") and Lone Pine Resources Canada Ltd. ("LPR Canada"; collectively "Lone Pine") as at and for the year ended December 31, 2015 (the "Annual Financial Statements") and the 2015 annual MD&A dated April 5, 2016 (the "Annual MD&A") (available at www.ppr.ca).

This MD&A presents the results for the historical Lone Pine properties for the period up to September 12, 2016 and for the combination of Lone Pine and Arsenal Energy Inc. after September 12, 2016. See "Arrangement Agreement" section for details.

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

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

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

Abbreviations

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

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
mmboe	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
GJ	gigajoule

AECO	AECO "C" hub price index for Alberta natural gas
CGU	cash-generating-unit
DD&A	depreciation, depletion and amortization
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
IFRS	International Financial Reporting Standards
P&D	production and development
RSU	restricted share unit
WTI	West Texas Intermediate

Financial and Operational Highlights

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per unit amounts)	2016	2015	2016	2015
Financial				
Oil and natural gas revenue	9,334	9,191	25,688	30,552
Funds from operations [1]	1,810	5,925	6,152	19,375
Per share – basic & diluted[2]	0.02	0.06	0.06	0.20
Net loss	(11,588)	(12,985)	(51,614)	(44,504)
Per share – basic & diluted[3]	(0.12)	(0.13)	(0.53)	(0.46)
Net capital expenditures	11,024	3,649	22,957	14,818
Production Volumes				
Crude oil (bbls/d)	1,722	1,701	1,796	1,827
Natural gas (Mcf/d)	7,269	4,336	8,230	4,728
Natural gas liquids (bbls/d)	104	64	120	70
Total (boe/d)	3,038	2,487	3,288	2,685
% Liquids	60%	71%	58%	71%
Average Realized Prices				
Crude oil ($/bbl)	48.50	50.76	43.04	52.80
Natural gas ($/Mcf)	2.23	3.05	1.77	3.14
Natural gas liquids ($/bbl)	16.51	5.69	15.39	8.97
Total ($/boe)	33.40	40.17	28.51	41.68
Operating Netback ($/boe)[4]				
Realized price	33.40	40.17	28.51	41.68
Royalties	(3.76)	(2.51)	(2.91)	(1.97)
Operating costs	(20.60)	(17.87)	(19.11)	(16.68)
Operating netback	9.04	19.79	6.49	23.03
Realized gains on derivative instruments	8.08	19.32	9.30	16.18
Operating netback, after realized gains on derivative instruments	17.12	39.11	15.79	39.21

Third quarter 2016 highlights include:

- On September 12, 2016, Lone Pine and Arsenal Energy Inc. (“Arsenal”) completed a business combination by way of a plan of arrangement (the “Arrangement”) whereby the Arrangement brought together Lone Pine and Arsenal under a new parent corporation, PPR, of which Lone Pine and Arsenal became direct or indirect wholly-owned subsidiaries. PPRs shares were listed on the Toronto Stock Exchange under the symbol “PPR” on September 16, 2016. Former Lone Pine securityholders hold approximately 77% of the fully diluted PPR shares, while former Arsenal securityholders hold approximately 23%.

- In conjunction with the closing of the Arrangement on September 12, 2016, PPR renewed and amended its credit facility with its syndicate of lenders which provides a borrowing capacity of $55 million including a $45

[1,4] Funds from operations and Operating Netback are non-IFRS measures and are defined in Other Advisories.

[2,3] As the historical financial statements were prepared on a combined and consolidated basis, it is not possible to measure per share amounts until subsequent to the closing of the Arrangement on September 12, 2016 when the entities were brought under a common parent entity. The Company calculated per share information for the current and historical periods by assuming that the common shares issued upon the closing of the Arrangement at September 12, 2016 were outstanding since the beginning of the period. Diluted per share amounts are calculated with consideration to the effect of outstanding restricted share units as converted to PPR equivalent units.

million syndicated revolving facility and a $10 million operating facility (collectively, the "Amended Credit Facility") with no changes in interest margins from the previous agreement.

- At Wheatland, PPR has been focusing on its 2016 14-well drilling program, which will increase gross well counts in the area to 18. In the first half of 2016, 3 wells were drilled and brought onstream. During the third quarter of 2016, 8 additional gross wells were drilled with one well tied-in and brought on production. For the balance of the year, PPR expects to drill and complete the remaining 3 wells and to tie-in additional 8 wells.

- Production averaged 3,038 boe/day (60% liquids), a 22% increase compared to the third quarter of 2015 due to production additions from the 2015 and 2016 Wheatland drilling program, with 8 wells on production between December 2015 and the end of the third quarter 2016, resulting in an incremental third quarter production of approximately 830 boe/d. Additionally, Q3 2016 production includes 19 days of production from Arsenal's properties of approximately 1,190 boe/d or 250 boe/d for the quarter. Production additions were partially offset by natural declines. Subsequent to September 30, 2016, additional 4 wells have been brought on production with current production at approximately 4,900 boe/d.

- Operating netback after realized hedging gains was $17.12/boe for the third quarter of 2016, a decrease of $21.99/boe from the third quarter of 2015. The decrease was primarily due to lower realized gains on derivative instruments and lower realized prices.

- Funds from operations was $1.8 million, a $4.1 million decrease as compared to the third quarter of 2015 primarily due to lower operating netback after realized gains on derivative instruments, partially offset by higher production and lower G&A expenses.

- Capital expenditures in the quarter were $11.0 million including $10.4 million on the Wheatland drilling program.

- Impairment losses of $1.7 million included $0.9 million related to the write down of certain leases that are due to expire within the next twelve months and $0.8 million related to changes in estimated decommissioning liabilities for assets with a carrying value of nil.

- Net loss was $11.6 million, compared to a net loss of $13.0 million in the third quarter of 2015. The Q3 2016 net loss includes $1.7 of impairment losses (Q3 2015 - $2.6 million), unrealized losses on derivative instruments of $1.9 million (Q3 2015 - $4.1 million gain) and $3.5 million of non-cash accretion expense (Q3 2015 - $4.0 million.

- Exited the quarter with borrowings of $2.1 million under the $55-million credit facility and a working capital deficit[1] of $14.4 million.

Year-to-date 2016 highlights include:

- Production averaged 3,288 boe/day (58% liquids), a 22% increase compared to 2015 year-to-date production due to production additions from the 2015 and 2016 Wheatland drilling program, with 8 wells on production between December 2015 and the end of the third quarter 2016, resulting in an incremental 2016 year-to-date production of approximately 1,100 boe/d. Additionally, the newly acquired Arsenal properties contributed approximately 80 boe/d of year-to-date production for 2016. Production additions were partially offset by natural declines and the shut-in of certain uneconomic wells since May 2015.

- On January 22, 2016, Lone Pine experienced a breach in an above-ground section of wellhead pipeline in the Wheatland area. As a result, the Company has recognized $1.0 million of site clean-up and remediation costs in

[1] Working capital deficit is a non-IFRS measure and is defined in Other Advisories.

Q1 2016 operating expenses. The Company has filed for insurance coverage for the incident and expects to receive a recovery of $0.9 million in the fourth quarter of 2016.

- Operating netback after realized hedging gains was $15.79/boe for 2016 year-to-date, a decrease of $23.42/boe from the same period in 2015. The decrease was primarily due to decreases in realized prices and realized gains on derivative in instruments.

- Funds from operations was $6.2 million, a $13.2 million decrease as compared to the nine months ended September 30, 2015 primarily due to lower operating netback after realized gains on derivative instruments, partially offset by higher production and lower G&A expenses.

- Capital expenditures were $23.0 million including $19.4 million on the Wheatland drilling program and $2.3 million on the second phase of the Evi Waterflood project.

- Net loss of $51.6 million, compared to a net loss of $44.5 million in the nine months ended September 30, 2015. During the first nine months of 2016, the Company recognized $26.8 million (2015 – $5.5 million) of impairment losses during the second quarter of 2016, substantially related to E&E assets in Quebec, unrealized losses on derivative financial instruments of $12.0 million (2015 – $6.1 million) and non-cash accretion expense of $11.9 million (2015 - $11.3 million). This was partially offset by the recognition of $9.7 million of foreign exchange gains (2015 – $20.2 million loss) related to the US dollar denominated preferred shares prior to their conversion to common shares.

Arrangement Agreement

On September 12, 2016, LPR Canada, Lone Pine Resources and Arsenal completed a business combination by way of a plan of arrangement whereby the Arrangement brought together Lone Pine and Arsenal under a new parent corporation, PPR, of which Lone Pine and Arsenal became direct or indirect wholly-owned subsidiaries. Prior to the Arrangement, LPR Canada and Lone Pine Resources were under common control. The Arrangement involved the following key steps:

- Issuance of 13.9 million PPR common shares to the shareholders of LPR Canada in exchange for all LPR Canada common shares;
- Issuance of 60.9 million PPR common shares in exchange for all LPR Canada preferred shares;
- Amalgamation of Lone Pine Resources with a wholly-owned subsidiary of PPR, whereby PPR will become the sole owner of the amalgamated company. The outstanding Lone Pine Resources common shares were cancelled without any consideration; and
- The acquisition of all of the issued and outstanding common voting shares of Arsenal with 22.7 million PPR common shares pursuant to the Arrangement in accordance with the terms and conditions of the arrangement agreement dated June 23, 2016 as amended on August 2, 2016 (the "Business Combination").

The exchange of PPR common shares for LPR Canada preferred shares and LPR Canada common shares, and the amalgamation of PPR's wholly owned-subsidiary with Lone Pine Resources were not considered business combinations as there was no change to the controlling shareholder group resulting from the transactions. Accordingly, the consolidated financial statements of Prairie Provident have been prepared as a continuation of LPR Canada and Lone Pine Resources' combined and consolidated financial statements.

The concurrent acquisition of Arsenal common shares has been accounted for as a business combination using the acquisition method of accounting whereby PPR is deemed to be the acquirer of the Arsenal business and the assets and liabilities assumed are recorded at their fair values. Transaction costs associated with the acquisition are expensed when incurred. Arsenal's operating results are included in the consolidated financial results of PPR since September 12, 2016, the closing date of the Business Combination.

On September 12, 2016, PPR elected to eliminate its contributed surplus, excluding the portion related to the outstanding long-term incentive awards, accumulated deficit and accumulated other comprehensive income against its share capital. The Company's share capital was reduced solely for accounting purposes, without payment or reduction to the Company's or its subsidiaries' stated capital or paid up capital. Accordingly, the accumulated deficit as at September 30, 2016 reflected the results of operations of PPR from September 12, 2016 to September 30, 2016.

Results of Operations

Production

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Crude oil (bbls/d)	**1,722**	1,701	**1,796**	1,827
Natural gas (Mcf/d)	**7,269**	4,336	**8,230**	4,728
Natural gas liquids (bbls/d)	**104**	64	**120**	70
Total (boe/d)	**3,038**	2,487	**3,288**	2,685
Liquids Weighting	**60%**	71%	**58%**	71%

PPR's production for the three and nine months ended September 30, 2016 each increased by 22% compared to the corresponding periods in 2015. The increases were primarily the result of additions from the 2015 and 2016 Wheatland drilling program. As at September 30, 2016, 8 of the 15 wells drilled were on production, resulting in an incremental production for the three and nine months ended September 30, 2016 of approximately 830 boe/d and 1,100 boe/d, respectively. Eight additional wells September 30, 2016 are expected to be brought on production in the fourth quarter of 2016 with 2 more wells to be tied-in in early 2017. Further contributing to the production increase were the Arsenal properties, which have been included in PPR's operating results since the closing date of the Arrangement on September 12, 2016. This resulted in an increase in production for the three and nine months ended September 30, 2016 of approximately 250 boe/d and 80 boe/d respectively. Increases in production from the Wheatland drilling program and the Arrangement were partially offset by natural production declines and the shut-in of uneconomic wells since May 2015.

The decline in the liquids-weighting from the three and nine months ended September 30, 2016 was primarily related to production in the Wheatland area, which has a lower liquids-weighting than the remaining assets.

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per unit amounts)	**2016**	2015	**2016**	2015
Revenue				
Crude oil	**7,684**	7,943	**21,180**	26,331
Natural gas	**1,492**	1,215	**4,002**	4,049
Natural gas liquids	**158**	33	**506**	172
Oil and natural gas revenue	**9,334**	9,191	**25,688**	30,552
Average Realized Prices				
Crude oil ($/bbl)	**48.50**	50.76	**43.04**	52.80
Natural gas ($/Mcf)	**2.23**	3.05	**1.77**	3.14
Natural gas liquids ($/bbl)	**16.51**	5.69	**15.39**	8.95
Total ($/boe)	**33.40**	40.17	**28.51**	41.68
Benchmark Prices				
Crude oil - WTI ($/bbl)	**58.90**	60.73	**54.56**	64.06
Crude oil - Edmonton Par ($/bbl)	**54.24**	55.64	**49.60**	57.96
Natural gas - AECO daily index - 5A ($/Mcf)	**2.32**	2.80	**1.85**	2.81
Exchange rate - US$/CDN$	**0.77**	0.76	**0.76**	0.79

PPR's third quarter 2016 revenue increased by 2% or $0.1 million from the third quarter of 2015. The 3% decrease in crude oil revenue incorporates 4% decline in realized prices, partially offset by a slight increase in oil production. The 23% increase in natural gas revenue is the result of a 68% increase in production partially offset by a 27%

decrease in realized prices. The movements in PPR's realized prices generally correlate with those observed in the benchmark prices. The decrease in the overall average realized prices of 17% was also due to a lower liquids-weighted production mix in 2016 than in 2015.

On a year-to-date basis, revenue decreased by 16% or $4.9 million for the nine months ended September 30, 2016 compared against the same period in 2015. The 20% decrease in crude oil revenue and the 1% decrease in natural gas revenue incorporate lower realized prices which dropped by 18% and 44% respectively. The lower realized prices reflected declines in benchmark prices. The decrease in realized crude oil prices were compounded by a slight decrease in production, while the declines in realized natural gas prices were substantially offset by increases in production. The decrease in the overall average realized prices of 32% was also due to a lower liquids-weighted production mix in 2016 than in 2015.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Royalties	**1,050**	575	**2,623**	1,444
Per boe	**3.76**	2.51	**2.91**	1.97
Percentage of revenue	**11.2%**	6.3%	**10.2%**	4.7%

Crown royalties are based on various sliding scales that are dependent on incentives, production volumes and commodity prices. Production in the Wheatland area is subject to a 17.5% flat royalty rate, which is currently higher than the royalty rates of the remaining properties. On a percentage of revenue basis, royalties for the three and nine months ended September 30, 2016 increased from the corresponding period in 2015 primarily as a result of royalties incurred on Wheatland production.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Realized gain on derivatives	**2,257**	4,421	**8,381**	11,864
Unrealized gain (loss) on derivatives	**(1,936)**	4,118	**(12,043)**	(6,113)
Total gain (loss) on derivatives	**321**	8,539	**(3,662)**	5,751
Per boe				
Realized gain on derivatives	**8.08**	19.32	**9.30**	16.19
Unrealized loss on derivatives	**(6.93)**	18.00	**(13.37)**	(8.34)
Total loss on derivatives	**1.15**	37.32	**(4.06)**	(7.85)

As of September 30, 2016, the Company held the following outstanding derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price		Contract Type
Oil	950 bbls/d	October 1, 2016 – December 31, 2016	CDN$ WTI	$	83.92	Swap
Light Oil Differential	1,000 bbls/d	October 1, 2016 – December 31, 2016	CDN$ MSW[1]	$	-5.35	Swap
Natural Gas	4,300 GJ/d	October 1, 2016 – December 31, 2016	AECO 7A Monthly Index	$	2.37	Swap
Oil	350 bbls/d	October 1, 2016 – December 31, 2016	CDN$ WTI	$	58.00/ 67.50	Collar
Oil	250 bbls/d	October 1, 2016 – December 31, 2017	CDN$ WTI	$	65.00/ 75.00	Collar
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN$ WTI	$	87.78	Swap
Light Oil Differential	1,000 bbls/d	January 1, 2017 – December 31, 2017	CDN$ MSW[2]	$	-5.70	Swap
Natural Gas	1,800 GJ/d	January 1, 2017 – December 31, 2017	AECO 7A Monthly Index	$	2.60	Swap
Oil	382 bbls/d	January 1, 2017 – December 31, 2017	CDN$ WTI	$	93.50	Call Option
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN$ WTI	$	58.00/ 67.50	Collar
Oil	500 bbls/d	January 1, 2018 – December 31, 2018	USD$ WTI	$	65.00	Call Option
Oil	800 bbls/d	January 1, 2018 – December 31, 2018	CDN$ WTI	$	58.00/ 67.50	Collar

Subsequent to September 30, 2016, the Company entered into the following derivative contracts:

Commodity Contract	Notional Quantity	Remaining Term	Reference	Weighted Average Price		Contract Type
Oil	500 bbls/d	January 1, 2017 – December 31, 2017	CDN$ WTI	$	65.00/ 72.00	Collar

All derivatives contracts were entered with PPR's credit facility lenders to minimize the need to post any collateral.

Operating Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Lease operating expense	**4,237**	3,054	**12,397**	9,981
Transportation and processing	**1,116**	625	**3,546**	828
Production and property taxes	**404**	411	**1,270**	1,416
Total operating expenses	**5,757**	4,090	**17,213**	12,225
Per boe	**20.60**	17.87	**19.11**	16.68

Lease operating expense for the third quarter of 2016 increased by 39% from the same period in 2015 primarily due to incremental production from Wheatland and the Arsenal assets. Lease operating expenses for the nine months ended September 30, 2016 increased by 24% from the same period in 2015. In addition to the factors described above, the 2016 year-to-date costs include site clean-up and remediation costs incurred in the Wheatland area. On January 22, 2016, the Company experienced a breach in an above-ground section of wellhead piping. The cost of site clean-up and remediation was approximately $1.0 million and was recognized within lease operating expense in the first quarter of 2016. The Company has filed for insurance coverage for the incident and expects to receive a recovery of the spill costs of $0.9 million in the fourth quarter of 2016.

Transportation and processing expense for the three and nine months ended September 30, 2016 increased by $0.5 million and $2.7 million respectively as compared to the same period in 2015. The increase primarily relates to third-party natural gas processing costs and natural gas transportation costs incurred on Wheatland production.

[1,2] Settled on the monthly average Mixed Sweet Blend ("MSW") Differential to WTI

During the first nine months of 2015, the Company recognized certain positive cost recovery adjustments relating to prior production periods, which further contributed to the year-over-year increase.

Operating expenses on a per boe basis were higher for the third quarter of 2016 as compared to the same period in 2015 primarily as the result of maintenance work performed in Q3 2016, of the inclusion of operating costs for the Arsenal properties as well as of positive cost recovery adjustments that were recorded in 2015. In addition to the factors described above, operating costs per boe were higher for the nine months ended September 30, 2016 as compared to the same period in 2015 due to costs related to the Wheatland wellhead pipe breach incident.

Operating Netback

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ per boe)	**2016**	2015	**2016**	2015
Revenue	**33.40**	40.17	**28.51**	41.68
Royalties	**(3.76)**	(2.51)	**(2.91)**	(1.97)
Operating costs	**(20.60)**	(17.87)	**(19.11)**	(16.68)
Operating netback	**9.04**	19.79	**6.49**	23.03
Realized gains (losses) on derivative instruments	**8.08**	19.32	**9.30**	16.18
Operating netback, after realized gains (losses) on derivative instruments	**17.12**	39.11	**15.79**	39.21

PPR's operating netback after realized hedging gains decreased by $21.99/boe and $23.42/boe, respectively, for the third quarter and the first nine months of 2016, compared to the corresponding periods in 2015. Decreases in realized revenue were compounded by increases in operating costs and royalties, and decreases in realized gains on derivative instruments.

General and Administrative Expenses ("G&A")

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Gross G&A expenses	**3,202**	3,519	**9,026**	10,623
Less amounts capitalized	**(264)**	(339)	**(934)**	(449)
Net G&A expenses	**2,938**	3,180	**8,092**	10,174
Per boe	**10.51**	13.90	**8.98**	13.88

For the three and nine months ended September 30, 2015, gross G&A decreased by $0.3 million and $1.6 million compared to the same periods in 2015. The decreases primarily relate to cost reduction efforts and lower stock based compensation expenses, partially offset by increases in G&A as a result of the Arrangement with Arsenal. The Company expects gross G&A to increase in future periods as a result of the Arrangement with Arsenal and share-based incentive awards granted to employees, officers and directors in the fourth quarter of 2016. Once PPR fully integrates Arsenal's G&A activities, incremental Arsenal G&A expenses are expected to be eliminated.

Capitalized G&A varies with the composition and compensation levels of technical departments. The decrease in capitalized G&A for the three months ended September 30, 2016 compared to the same period in 2015 relates to the staffing levels in the technical departments in the related periods. Capitalized G&A for the nine months ended September 30, 2016 increased by $0.5 million, when compared against the corresponding period in 2015, due to higher level of capital activity in 2016. Minimal capitalized G&A was recognized in the first half of 2015 due to the suspension of capital activities during that period.

Share-based compensation

In conjunction with the closing of the Arrangement, the Company adopted new long-term incentive plans for employees and directors pursuant to which share-based incentive awards may be granted.

For IFRS purposes, the Company was deemed to have granted 752,174 stock options to employees, officers and directors at an exercise price of $0.96 per share on October 6, 2016 when the grants were communicated to employees. Options granted vest in three tranches with the first tranche vesting on January 1, 2017 and the second and third tranches vesting on January 1, 2018 and January 1, 2019, respectively. Each stock option granted entitles the holder to purchase one common share of the Company at $0.96 per share and will expire five years after the grant date.

Also on October 6, 2016, the Company issued 116,427 performance share units (PSUs) to certain officers of the Company. PSUs vest on December 15, 2018 and are subject to a multiplier from 0 to 2 based on share performance relative to a selected peer group. PSUs will be settled in common shares or cash at the discretion of the Company.

Finance Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Interest expense	**138**	167	**500**	659
Accretion expenses	**3,476**	3,975	**11,938**	11,268
Total finance cost	**3,614**	4,142	**12,438**	11,927
Per boe	**12.93**	18.16	**13.81**	16.27

For the majority of three and nine months ended September 30, 2016, there were no borrowings outstanding on the Company's credit facilities, with the Company drawing on the facility in late September. Additionally, there were no borrowings on the credit facility during the three and nine months ended September 30, 2015. The interest expense incurred in the periods presented was primarily comprised of the amortization of deferred financing charges, recognition of standby fees and interest incurred on outstanding letters of credit. Interest expense decreased by 17% and 24% in the three and nine months ended September 30, 2016, respectively, from the same period in 2015 due to decreases in interest rates on standby fees and letter of credit fees upon amendment and renewal of the Company's credit facility on July 30, 2015. The weighted average effective interest rate on letters of credit outstanding for the three and nine months ended September 30, 2016 was 2.0% (2015 – 2.18% and 2.39%, respectively).

Accretion and financing charges are non-cash expenses. During the third quarter and first nine months of 2016, the Company recognized $3.1 million and $11.0 million, respectively, of accretion charges on the preferred shares (2015 – $3.6 million and $10.3 million, respectively). Pursuant to the Arrangement, outstanding preferred shares were exchanged for PPR common shares and as such accretion expense on preferred shares will no longer be recognized after September 12, 2016 (see Preferred Shares under the Capital Resources section below). This will result in a material reduction of accretion expense in future periods as accretion on preferred shares comprised the majority of accretion recognized. The remaining accretion charges primarily related to the decommissioning liabilities and are expected to increase in future periods as a result of additional liabilities acquired pursuant to the Arrangement.

Gain (Loss) on Foreign Exchange

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Realized gain (loss) on foreign exchange	**(39)**	3	**32**	2
Unrealized gain (loss) on foreign exchange	**(378)**	(10,620)	**9,693**	(20,213)
Gain (loss) on foreign exchange	**(417)**	(10,617)	**9,725**	(20,211)

Foreign exchange (gain) loss relates mainly to the US dollar denominated preferred shares incurred in the three and nine months ended September 30, 2016 and 2015 (see Preferred Shares under the Capital Resources section below). The weakening (strengthening) of the Canadian dollar during a period would result in unrealized foreign exchange loss (gain). Pursuant to the Arrangement, outstanding preferred shares were exchanged for PPR common shares and as such foreign exchange fluctuations of the US dollar will have a reduced impact on unrealized foreign exchange gain or loss in future periods.

Exploration and Evaluation Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Exploration and evaluation expense	**15**	24	**49**	166
Per boe	**0.05**	0.10	**0.05**	0.23

Depletion and Depreciation

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
Depletion and depreciation	**4,234**	5,523	**13,935**	17,647
Per boe	**15.15**	24.13	**15.47**	24.07

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 per boe depletion and depreciation rate in the three and nine months ended September 30, 2016 from the comparable periods in 2015 incorporated the decrease in future development costs in the Evi area as well as lower finding and development costs at the Wheatland area.

Impairment Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2016**	2015	**2016**	2015
E&E impairment	**882**	1,499	**25,872**	3,240
E&E impairment – decommissioning asset	**(18)**	–	**(18)**	–
Total E&E impairment	**864**	1,499	**25,854**	3,240
P&D impairment	**—**	912	**—**	912
P&D impairment – decommissioning asset	**848**	–	**848**	1,236
P&D inventory impairment	**—**	–	**200**	–
Total P&D impairment	**848**	912	**1,048**	2,148
Inventory impairment (recovery)	**—**	144	**(125)**	106
Total impairment loss	**1,712**	2,555	**26,777**	5,494

Third quarter 2016 E&E impairment losses were recognized relating to leases that were due to expire in the next twelve months in the Evi CGU offset by minor impairment recoveries related to decreases in the decommissioning liabilities estimates of certain E&E assets that have been fully impaired. In addition, year-to-date 2016 E&E included $25.0 million of impairment losses recognized in the second quarter of 2016 against assets in the Quebec exploratory area, as a result of a shift in management development priorities as a result of successful drilling in the Wheatland area, additional development prospects from the Arrangement with Arsenal, along with a prolonged period of political uncertainty around oil and gas development in the province of Quebec.

Third quarter P&D impairment of $0.8 million related to changes in estimated decommissioning liabilities of certain properties with a carrying value of nil. Year-to-date P&D impairment included P&D inventory impairment of $0.2 million incurred in the second quarter of 2016 for the write down of certain surplus equipment.

Year-to-date 2016 impairment loss included an impairment recovery of $0.1 million recorded in the first quarter of 2016 as the result of an increase in the net realizable value of inventory.

In the third quarter of 2015, E&E impairment losses of $1.5 million were recognized relating to leases that were due to expire in the next twelve month. The additional year-to-date E&E impairment included a $1.7 million impairment loss recognized in the second quarter of 2015 related to the write-off of certain undeveloped lands and pre-drill cost that the Company no longer intends to explore in light of low commodity prices.

Third quarter and year-to-date 2015 P&D impairment incorporated a $0.9 million charge related to the Provost (previously Hayter) CGU as a result of continued declines in forward crude oil and natural gas prices. Additionally, in the first quarter of 2015, changes in estimated decommissioning liabilities of certain asset with zero carrying value resulted in an impairment charge of $1.2 million.

Funds from operations

Funds from operations decreased to $1.8 million in the third quarter of 2016 from $5.9 million in the same period in 2015. The decrease is primarily the result of the decrease in the operating netback and decreases in realized gains on derivative instruments, partially offset by the increase in production volumes.

Funds from operations decreased to $6.2 million in the nine months ended September 30, 2016 from $19.4 million in the same period in 2015. The decrease is primarily the result of the decrease in the operating netback and decreases in realized gains on derivative instruments, partially offset by the increase in production volumes.

Capital Expenditures[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Drilling and completion	**8,360**	2,974	**14,424**	3,640
Equipment, facilities and pipelines	**1,601**	103	**6,580**	1,004
Land	**677**	115	**755**	9,761
Capitalized overhead and other	**386**	467	**1,218**	563
Total expenditures	**11,024**	3,649	**22,977**	14,968
Proceeds from disposals of property	**—**	—	**(20)**	(150)
Total – net	**11,024**	3,649	**22,957**	14,818

The Company focused its capital activities during the third quarter and year-to-date 2016 in the Wheatland area. During the third quarter of 2016, PPR drilled and completed 8 gross wells, one of which was brought on production. For the first half of 2016, the Company drilled, completed and brought onstream 3 gross wells from its 2016 14-well program. Also, 3 gross wells from its 2015 Wheatland drilling program were equipped, tied-in and brought on production. For the balance of the year, PPR expects to drill and complete the remaining 3 wells and to tie-in additional 8 wells its 2016 program. Aside from drilling, PPR has also invested in the construction of a multi-well batteries and pipelines in the area.

The year-to-date 2016 capital expenditures also incorporated the second phase of the Evi waterflood project including pipeline expansion in the area.

Capital spending in the third quarter of 2015 was primarily comprised of drilling at Wheatland. Year-to-date 2015 capital expenditures additionally incorporated the acquisition of mineral leases in the Wheatland area for $9.3 million as well as capital activities in the Evi area, including electrification projects and well recompletion to enhance oil recovery.

Reorganization Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Salary and benefits – terminations	**—**	—	**382**	1,126
Share-based compensation - terminations	**—**	—	**—**	176
Professional fees	**—**	6	**10**	21
Amortization and other finance costs	**—**	—	**—**	(2)
Total reorganization costs	**—**	6	**392**	1,321

Reorganization costs are non-recurring costs associated with the Company's corporate restructuring activities. For 2016 and 2015, the majority of the costs related to staff reductions. The 2016 reorganization costs were not related to the Arrangement.

Transaction Costs

Transaction costs of $1.5 million and $1.8 million were incurred in the three and nine months ended September 30, 2016, respectively, related to the Arrangement. Transaction costs included primarily legal fees, professional fees and change of control settlements.

[1] Capital expenditures include expenditures on E&E assets.

Decommissioning Liabilities

PPR’s decommissioning liabilities at September 30, 2016 were $97.5 million (December 31, 2015 - $70.5 million) to provide for future remediation, abandonment and reclamation of the Company’s oil and gas properties.

During the nine months ended September 30, 2016, the Company recognized an increase of $6.3 million due to changes in estimates, primarily the result of the Business Acquisition. Decommissioning obligations acquired as part of the Business Combination were initially measured at fair value using a credit-adjusted risk free rate of 5.2% to discount estimated future cash flows. In accordance with PPR’s accounting policy, decommissioning obligations are carried on the financial statements using risk-free discount rates. The revaluation of the acquired decommissioning obligations to the risk-free rates as disclosed above resulted in an increase to the carrying values of decommissioning liabilities of $15.2 million, which was included in changes in estimates. Partially offsetting the increase was an $8.9 million decrease due to changes in cost estimates that were recognized as of September 30, 2016. The changes in estimates resulted 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 was immediately recognized as an impairment charge.

The undiscounted decommissioning obligation liabilities, based on an inflation rate of 1.7%, are estimated at approximately $145.6 million. While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At September 30, 2016, the Company had working capital deficit (as defined in “Other Advisories” below) of $14.4 million (December 31, 2015 – working capital of $12.3 million). PPR acquired $6.8 million of working capital deficit through the Business Combination, $5.8 million of which related to a current tax liability that is expected to be paid in the first quarter of 2017. Increased capital expenditures during the third quarter also contributed to the working capital deficit. PPR expects to fund its working capital deficit with cash flows from operations and borrowings under its Amended Credit Facility.

Amended Credit Facility

Under the Company’s credit facility, PPR had outstanding long-term debt of $2.1 million (December 31, 2015 – $nil) and $5.3 million of letters of credit issued as at September 30, 2016 (December 31, 2015 – $4.5 million).

On September 12, 2016, the Company renewed and amended its credit facility with a syndicate of banks (the “Amended Credit Facility”). Under the Amended Credit Facility, PPR has a $45 million syndicated revolving term facility and a $10 million operating facility, which mature one year after the term-out date. Annually prior to the applicable term-out date, subject to the lenders’ approval, PPR may extend the term-out date by 364 days. The next term-out date is set at May 30, 2017; as such the maturity date of Amended Credit Facility is May 30, 2018. The Amended Credit Facility is collateralized by a demand debenture from PPR and each of its restricted subsidiaries in the amount of $500 million granting a first priority security interest over all present and after-acquired personal property and a first floating charge over all other present and after-acquired property, together with a fixed charge and mortgage over its existing borrowing base assets. A fixed charge and mortgage over after-acquired borrowing base assets will only be granted under certain circumstances.

The Amended Credit Facility includes terms and covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. The Amended Credit Facility also includes two financial covenants where at the end of each applicable quarterly period:

(i) total debt outstanding (including bank indebtedness and outstanding letters of credit) to Adjusted EBITDAX (as defined below) for a trailing 12-month period is required to be less than 3.0 to 1.0 (0.4 to 1.0 as at September 30, 2016); and

(ii) current assets to current liabilities (including available borrowing capacity and excluding derivative instruments) is required to be greater than 1.0 to 1.0 (2.1 to 1.0 as at September 30, 2016).

As at September 30, 2016, the Company was in compliance with all covenants under the Amended Credit Facility.

Shareholders' Equity

At September 30, 2016, PPR had consolidated share capital of $107.9 million (December 31, 2015 – $73.9 million) and had 97.4 million outstanding common shares. In addition, PPR had 1.4 million outstanding restricted share units at September 30, 2016 of which 1.2 million were pending share issuance.

As of the date of the MD&A there were 98.6 million common shares outstanding common shares, 0.1 million outstanding restricted share units, 0.8 million outstanding stock options and 0.1 million outstanding performance share units.

Preferred Shares

Pursuant to the Arrangement, outstanding LPR Canada preferred shares ("Preferred Shares") were exchanged for PPR common shares at an exchange ratio of 0.81, whereby 60.9 million PPR common shares were issued. As the preferred shareholders were also common shareholders of PPR, the transaction was in substance an equity contribution to the Company. Upon the exchange, PPR derecognized the Preferred Shares liability and the Preferred Share conversion liability (collectively, "Preferred Share Liabilities") and recorded the PPR common shares at the carrying value of the Preferred Share Liabilities, resulting in an increase to the share capital of $193.9 million without any recognition of gains or losses.

Capital Management

The Company's objectives when managing capital is to maintain a flexible capital structure in order to meet its financial obligations and allow it to execute on its planned capital expenditure program. The Company considers its capital structure to include shareholders' equity, the Amended Credit Facility and working capital. PPR aims to manage the capital structure of the Company to provide a strong financial position that is capable of funding the future growth of the Company. The Company monitors the current and forecasted capital structure and makes adjustments on an ongoing basis in order to maintain the liquidity needed to satisfy the funding requirements of the Company. Modifications to the capital structure of the Company can be accomplished through issuing common shares, issuing new debt or replacing existing debt, adjusting capital spending and acquiring or disposing of assets.

The Company monitors its capital structure based on the ratio of total debt to trailing twelve months Adjusted EBITDAX (as defined in "Other Advisories" below). Total debt to Adjusted EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The ratio is calculated as total debt from the Amended Credit Facility divided by Adjusted EBITDAX for the most recent four consecutive fiscal quarters. The Company's goal is to manage this ratio well within the financial covenants imposed on it under the Amended Credit Facility. The Company also plans to maintain a prudent financial position by actively managing its capital program with careful consideration of the commodity pricing environment in order to optimize leverage, liquidity and cash flows.

Liquidity

The Company's has a borrowing capacity of $55 million under its Amended Credit Facility, of which $7.4 million was utilized as at September 30, 2016 including $5.3 million for the issuance of letters of credit, and a working capital deficit (as defined in "Other Advisories" below) of $14.4 million. The Company has determined that its current financial obligations, including current commitments and working capital deficit are adequately funded from the available borrowing capacity and from cash flows derived from operations.

Contractual Obligations and Commitments

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

	2016[(1)]	2017	2018	2019	2020	Thereafter	Total
Debt	21	84	2,328	—	—	—	2,433
Operating Leases – net	552	1,673	2,306	2,365	2,365	2,562	11,823
Firm transportation agreements	55	191	76	23	—	—	345
Capital commitments	4,405	13,775	20,000	—	—	—	38,180
Flow-through share commitment	577	—	—	—	—	—	577
Other agreements	256	434	51	54	57	676	1,528
Total	5,866	16,157	24,761	2,442	2,422	3,238	54,886

(1) Remainder of period from October 1, 2016 to December 31, 2016

Included in operating leases – net are sublease recoveries in amount of $1.7 million over the contractual period.

The flow-through share commitment relates to flow-through shares issued by Arsenal in 2015 and will be met by incurring Canadian Exploration Expenses as defined in the *Income Tax Act* and renouncing the related income tax deductions to investors.

Capital commitments include the lease acquisition capital commitment and the farm-in arrangement capital commitment as described below. The capital commitments and flow-through share commitment may be fulfilled by the same exploration expenditures.

In addition, the Company has estimated decommissioning liabilities on its interests in wells and facilities in the total amount of $145.6 million on an undiscounted basis, of which, $16.0 million is estimated to be incurred over the next five years.

Capital Commitments

Lease Acquisition Capital Commitment

Under the lease acquisition capital commitment, the Company is committed to annual capital expenditures for three years ending July 1, 2018 pursuant to the acquisition of 69,000 net undeveloped acres in the Wheatland area. During the third quarter of 2016, the lease acquisition agreement was amended whereby an additional approximate 4,500 net acres of undeveloped land in the Wheatland area were purchased for $0.6 million. Under the amended agreement the Company can meet its original capital commitment by incurring costs related to the additional undeveloped land purchased as well as on the lands purchased under the original agreement. The capital commitment for the year ending July 1, 2016 of $10.0 million has been met and additional spending of $1.2 million has been applied towards the July 1, 2017 capital commitment of $15.0 million. The lease acquisition capital commitment is further described in Note 22 of the Annual Financial Statements.

Farm-in Arrangement Capital Commitment

Under the farm-in arrangement capital commitment, a minimum of $20 million of drilling and completion expenditures (the "Gross Capital Commitment") must be incurred on farm-in lands by December 31, 2016. Depending on the participation of the farmor, the Company's share of the expenditures may be between 50% and 100% of the Gross Capital Commitment. The farm-in arrangement capital commitment is further described in Note 22 of the Annual Financial Statements. In the second quarter of 2016, the farm-in and option agreement was amended to allow more flexibility of timing on drilling test wells and option wells throughout 2016 and 2017. The Gross Capital Commitment to be incurred by December 31, 2016 was unchanged at $20 million. As at September 30, 2016, $15.6 million of the commitment has been met. Of the $4.4 million commitment presented in the table above, up to $2.2 million may be incurred by the farmor rather than by the Company.

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)	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Oil and natural gas revenue	**9,334**	9,151	7,203	8,783	9,191	11,591	9,770	16,323
Royalties	**(1,050)**	(924)	(649)	(746)	(575)	(323)	(546)	(1,949)
Unrealized (loss) gain on derivatives	**(1,936)**	(10,959)	852	(730)	4,118	(6,650)	(3,581)	25,043
Realized gain (loss) on derivatives	**2,257**	2,539	3,585	4,921	4,421	3,063	4,380	3,464
Revenue net of realized and unrealized gains (losses) on derivative instruments	**8,605**	(193)	10,991	12,228	17,155	7,681	10,023	42,881
Funds from operations [1]	**1,810**	3,252	1,090	7,007	6,152	8,012	5,437	9,773
Per share – basic [2]	**0.02**	0.03	0.01	0.07	0.08	0.06	0.06	0.09
Per share – diluted [3]	**0.02**	0.03	0.01	0.07	0.08	0.06	0.06	0.09
Net earnings (loss)	**(11,588)**	(43,223)	3,197	(15,390)	(12,985)	(9,929)	(21,590)	(127,211)
Per share – basic [4]	**(0.12)**	(0.44)	0.03	(0.16)	(0.13)	(0.10)	(0.22)	(1.31)
Per share – diluted [5]	**(0.12)**	(0.44)	0.03	(0.16)	(0.13)	(0.10)	(0.22)	(1.31)

1 Funds from operations is a non-IFRS measure and is defined in Other Advisories.

2,3,4,5 As the historical financial statements were prepared on a combined and consolidated basis it is not possible to measure per share amounts until subsequent to the closing of the Arrangement on September 12, 2016 when the entities were brought under a common parent entity. The Company calculated per share information for the current and historical periods by assuming that the common shares issued upon the closing of the Arrangement at September 12, 2016 were outstanding since the beginning of the period. Diluted per share information is calculated with consideration to the effect of outstanding restricted share units as converted to PPR equivalent units.

The net loss of $11.6 million was the result of non-cash expenses including impairment of $1.7 million, non-cash accretion of $3.5, unrealized losses on derivative instruments of $1.9 million and depletion and depreciation of $4.2 million, which exceeded funds from operations.

The net loss of $43.2 million in the second quarter of 2016 was mainly due to impairment charges of $25.2 million primarily related to E&E assets and unrealized losses on derivative instruments of $11.0 million.

The net earnings of $3.2 million in the first quarter of 2016 was primarily the result of unrealized foreign exchange gains of $10.7 million related to the translation of the US dollar denominated preferred share liability and realized gains on derivative instruments of $3.6 million.

The net loss of $15.4 million in the fourth quarter of 2015 was mainly due to impairment charges of $7.3 million on E&E assets and unrealized foreign exchange losses of $5.3 million related to the translation of the US dollar denominated preferred share liability.

The net loss of $13.0 million in the third quarter of 2015 was mainly due to declining production volume and an unrealized foreign exchange loss of $10.6 million related to the translation of the US dollar denominated preferred shares liability. In addition, an impairment loss of $2.6 million was recognized including $0.9 million against the Provost (previously Hayter) CGU and the remainder against undeveloped E&E lands.

The net loss of $9.9 million in the second quarter of 2015 was mainly attributable to lower production volume and $6.6 million unrealized loss on hedge instruments. Also, there was a $1.7 million impairment charge against certain E&E lands and pre-drill cost that the Company no longer intends to explore in light of low oil prices. The Company also recognized $1.3 million of reorganization costs related to workforce reduction.

The net loss of $21.6 million in the first quarter of 2015 was mainly due to lower production volume and $11.9 million unrealized loss on foreign exchange related to the translation of the US dollar denominated preferred shares liability, due to the weakening of Canadian dollar relative to the US dollar. Oil and natural gas revenue was significantly lower than the prior periods, due to lower production volume and lower realized prices across all products.

The net loss of $127.2 million in the fourth quarter of 2014 was mainly due to the recognition of $136.2 million in impairment losses. Oil and natural gas revenue decreased in the fourth quarter as a result of the Deep Basin divestiture in the third quarter of 2014 and lower liquids prices. The decreases were offset by $28.5 million of gains on oil derivatives, resulting in an overall increase of revenues in the fourth quarter, compared with the prior quarters.

Internal Control over Financial Reporting and Officer Certifications

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

PPR will be required to comply with National Instrument 52-109 – "Certification of Disclosure in Issuers' Annual and Interim Filings" under which management will assess the effectiveness of internal controls. Under the Company's initial certification of interim filings for the interim period ended September 30, 2016, the officers are not required, and have not, made any representation relating to the establishment and maintenance of disclosure controls and procedures or internal controls over financial reporting.

Changes in Accounting Policies

The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements. PPR did not adopt any new accounting policies or standards during the first three quarters of 2016.

There were no new or amended standards issued during the first nine months of 2016 applicable to PPR in future periods other than those disclosed in Note 3 of the Annual Financial Statements. A description of issued accounting pronouncements that will be adopted by the Company in future periods can be found in Note 3 of the Annual Financial Statements. The Company is currently evaluating the impact of those new accounting pronouncements.

Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, 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 judgements in applying accounting policies are outlined in Note 2(e) of the Annual Financial Statements with the exception of additional discussion related to the valuation under business combinations added in Note 2(d) of the Interim Financial Statements.

Operational and Other Risk Factors

Operational and Other Risk factors outlined in the Annual MD&A have remained unchanged during the first nine months of 2016. Readers are also advised to refer to various "Risk Factors" sections within the Joint Management Information Circular dated August 5, 2016 (available at www.ppr.ca) which provide comprehensive discussion of a number of risk exposures to the Company. In addition to operational and financial risks, there are additional risk factors relating to the Arrangement, the activities of Prairie Provident and the ownership of Prairie Provident shares following completion of the Arrangement.

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 shares and preferred shares valuations;
- the Company's future financial condition and results of operations;
- the Company's ability to meet its capital commitment pursuant to the Wheatland Acquisition and the Farm-In Arrangement;
- 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 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 assessment of the Company's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

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 significant capital expenditures and acquisitions;
- the Company's ability to obtain adequate financing to pursue other business opportunities;
- 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;
- the risks of conducting exploratory drilling operations in new or emerging plays;
- 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 the pending litigation against us.

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, the Company 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 ration 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-IFRS Measures

The Company 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. The non-IFRS measures used in this report are summarized as follows:

Working Capital

Working capital (deficit) is calculated as current assets less current liabilities excluding the current portion of derivative instruments and the current portion of decommissioning liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The current portion of derivatives instruments is excluded as management intends to hold derivative contracts through to maturity rather than realizing the value at a point in time through liquidation. The current portion of decommissioning expenditures is excluded as these costs are discretionary.

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

($000s)	September 30, 2016	December 31, 2015
Current assets	11,485	30,744
Less current derivative instrument assets	(3,465)	(9,531)
Current assets excluding current derivatives instruments	8,020	21,213
Current liabilities	26,022	12,445
Less current derivative instrument liabilities	(122)	—
Less current portion of decommissioning liability	(3,500)	(3,500)
Current assets excluding current derivatives instruments and current portion of decommissioning liabilities	22,400	8,945
Working capital (deficit)	(14,380)	12,268

Operating Netback

Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this report were determined by taking (oil and gas revenues less royalties less operating costs) divided by gross working interest production. Operating netback, including realized commodity (loss) and gain, adjusts the operating netback for only realized gains and losses on derivative instruments.

Funds from Operations

Funds from operations is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, decommissioning expenditures and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR's operation performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring and utilizes the measure to assess its ability to finance operating activities, capital expenditures and debt repayments. Funds from operations 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. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share.

The following table reconciles cash flow from operating activities to funds from operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	2016	2015	2016	2015
Cash flow from operating activities	2,088	7,904	4,522	15,118
Changes in non-cash working capital	(2,147)	(2,413)	(3,828)	1,433
Other	222	306	410	570
Settlement of decommissioning liabilities	141	122	2,883	933
Restructuring costs	—	6	392	1,321
Transaction costs	1,506	—	1,773	—
Funds from Operations	1,810	5,925	6,152	19,375

Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Adjusted EBITDAX 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 Amended Credit Facility. "Adjusted EBITDAX" corresponds to defined terms in the Company's credit facility agreement and means net earnings 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 the Arrangement are non-recurring costs, Adjusted EBITDAX has been calculated, excluding transaction costs, as a meaningful measure of continuing operating cash flows. For purposes of calculating covenants under the credit facility, Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Net loss before income tax	**(11,588)**	(12,985)	**(51,614)**	(44,504)
Add (deduct):				
Interest	**138**	167	**500**	659
Depletion and depreciation	**4,234**	5,523	**13,935**	17,647
Exploration and evaluation expense	**15**	24	**49**	166
EBITDAX	**(7,210)**	(7,271)	**(37,130)**	(26,032)
Unrealized (gain) loss on derivative instruments	**1,936**	(4,118)	**12,043**	6,113
Impairment loss	**1,712**	2,555	**26,777**	5,494
Accretion	**3,476**	3,975	**11,938**	11,268
Loss (gain) on foreign exchange	**417**	10,617	**(9,725)**	20,211
Reorganization costs[1]	**—**	6	**392**	1,321
Share-based compensation	**52**	211	**189**	872
Loss on sale of properties	**—**	3	**73**	198
Transaction costs	**1,506**	—	**1,773**	—
Pro-forma impact of acquisition	**1,108**	—	**3,206**	—
Adjusted EBITDAX	**3,006**	5,978	**9,536**	19,445

[1] Reorganization cost includes share-based compensation related to terminations.