# Prairie Provident Announces Third Quarter 2016 Financial and Operating Results

Calgary, Alberta – November 8, 2016 – Prairie Provident Resources Inc. ("Prairie Provident" or the "Company") is pleased to announce its operating and financial results for the three and nine month periods ended September 30, 2016, and an update on the Company's continued progress advancing the development of its Mannville focused assets in southern Alberta. Prairie Provident's consolidated interim financial statements ("Interim Financial Statements") and management's discussion and analysis ("MD&A") for the three and nine months ended September 30, 2016 are available on the Prairie Provident website (www.ppr.ca) and filed on SEDAR (www.sedar.com).

Prairie Provident was formed through the business combination of Lone Pine Resources Inc. ("Lone Pine Resources") and Lone Pine Resources Canada Ltd. ("LPR Canada", collectively, "Lone Pine") and Arsenal Energy Inc. ("Arsenal") which took effect on September 12, 2016, and created a light and medium oil-weighted growth company with a very strong balance sheet. Prairie Provident's asset base is focused on three core areas in Alberta at Wheatland, Princess, and Evi, the latter of which features a proven waterflood program that can help lower corporate decline rates and stabilize production levels. With significant financial liquidity and the compelling potential returns which can be generated from its asset base, Prairie Provident is well positioned to execute an organic growth program that can be opportunistically supplemented with accretive consolidation acquisitions within its core areas.

*Prairie Provident's Interim Financial Statements present 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 after September 12, 2016. This is a significant factor in understanding the year-over-year and quarter-over-quarter financial results of Prairie Provident. This news release contains forward-looking statements and non-IFRS measures. Readers are cautioned that the news release 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 news release.*

**Q3 2016 HIGHLIGHTS**

- Achieved average third quarter production of 3,038 boe/d (60% liquids), a 22% increase over the same period of 2015 primarily due to new production from 8 Wheatland wells since December 31, 2015. Subsequent to the third quarter, Prairie Provident brought on-stream another 4 Wheatland wells. Current production is approximately 4,900 boe/d reflecting the production from the acquired Arsenal properties and approximately 1,100 boe/d of incremental volumes from 5 of the 8 new wells drilled during the third quarter. Prairie Provident expects to bring 4 additional wells on production by the end of the year and is on track to exit 2016 with over 5,000 boe/d of production;

- Third quarter 2016 capital expenditures totaled $11.0 million, focusing on the advancement of the 2016 14-well drilling program at Wheatland, of which 8 wells were drilled during the third quarter with a 100% success rate, with 3 wells remaining to be drilled in the fourth quarter;
- Reported operating netbacks after realized hedging gains of $17.12/boe;
- Generated funds from operations of $1.8 million ($0.02 per diluted share). With the incremental production from the Wheatland new wells and full quarter of production from Arsenal, Prairie Provident expects to generate $4.5 million to $5.5 million of funds from operations in the fourth quarter of 2016;
- Continued to enhance drilling and completion techniques, achieving all-in per well costs of approximately $1.5 million to drill, complete, equip and tie-in, driving attractive on-stream costs of $5,000 to $7,000 per boe/d;
- Maintained ongoing financial flexibility and a strong balance sheet with quarter-end bank debt of $2.1 million or 3.8% drawn on the Company's $55 million credit facility (together with outstanding letters of credit, $7.4 million or 13% of the credit facility was utilized); and
- Listed Prairie Provident's shares on TSX under the symbol 'PPR' with trading effective September 16, 2016.

## FINANCIAL AND OPERATING HIGHLIGHTS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *($000s except per unit amounts)* | 2016 | 2015 | 2016 | 2015 |
| Financial | | | | |
| Oil and natural gas revenue | 9,334 | 9,191 | 25,688 | 30,552 |
| Funds from operations[1] | 1,810 | 5,925 | 6,152 | 19,375 |
| Per share – basic[2] | 0.02 | 0.06 | 0.06 | 0.20 |
| Per share – diluted[3] | 0.02 | 0.06 | 0.06 | 0.20 |
| Net loss | (11,588) | (12,985) | (54,614) | (44,504) |
| Per share – basic[4] | (0.12) | (0.13) | (0.53) | (0.46) |
| Per share – diluted[5] | (0.12) | (0.13) | (0.33) | (0.46) |
| Net capital expenditures | 11,024 | 3,649 | 22,957 | 14,818 |
| Production Volumes | | | | |
| Crude oil (bbls/d) | 1,722 | 1,701 | 1,796 | 1,827 |
| Natural gas (Mcf/d) | 7,269 | 4,336 | 8,230 | 4,728 |
| Natural gas liquids (bbls/d) | 104 | 64 | 120 | 70 |
| Total (boe/d) | 3,038 | 2,487 | 3,288 | 2,685 |
| % Liquids | 60% | 71% | 58% | 71% |
| Average Realized Prices | | | | |
| Crude oil ($/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)[6] | | | | |
| 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 |

[1,6] Funds from operations and operating netback are non-IFRS measures and are defined in below under "Other Advisories".

[2,3,4,5] Per share amounts for the current and historical periods assume that the common shares issued upon the closing of the Arrangement at September 12, 2016 were outstanding since the beginning of the period.

| Capital Structure ($ thousands) | As at Sept. 30, 2016 | As at Dec. 31, 2015 |
|---|---|---|
| Working capital (deficit)[1] | (14,380) | 12,268 |
| Bank loan | (2,131) | – |
| Total net debt[2] | (17,759) | 12,268 |
| Current debt capacity[3] | 47,589 | 45,529 |
| Common shares outstanding (in thousands) [4] | 19,409 | N/A |

**Notes:**

**(1) Working capital (deficit) is a non-IFRS measure (see Other Advisories) calculated as current assets less current liabilities excluding the current portion of derivative instruments and the current portion of decommissioning liabilities.**

**(2) Net debt is a non-IFRS measure (see Other Advisories), calculated by adding working capital (deficit) and the bank loan.**

**(3) Current debt capacity reflects the credit facility of $55 million at September 30, 2016 and of $50 million at December 31, 2015.**

**(4) As historical financial statements were prepared on a combined and consolidated basis common shares outstanding is not a relevant measure until subsequent to the closing of the Arrangement on September 12, 2016 when the entities were brought under a common parent entity.**

| | Three months ended Sept. 30, 2016 | Three months ended Sept. 30, 2015 | Nine months ended Sept. 30, 2016 | Nine months ended Sept. 30, 2015 |
|---|---|---|---|---|
| Drilling Activity | | | | |
| Gross wells | 8.0 | 1.0 | 15.0 | 1.0 |
| Working interest wells | 6.7 | 1.0 | 13.6 | 1.0 |
| Success rate, net wells (%) | 100 | 100 | 100 | 100 |

## OPERATIONS

### *Wheatland, AB*

Prairie Provident is well underway with its active fourth quarter capital program, with a capital budget of $9.4 million. Since the end of the third quarter of 2016, the Company has brought on-stream an additional 4 wells, bringing the total number of producing wells to 12 in the area. As of the date of this press release, the Company has completed drilling the remaining 3 wells from the 2016 drilling program. The Company now has 6 wells to be brought on production and expects 4 of which to be tied in by the end of the year, leaving the last 2 to be tied in the first two months of 2017. The second half 2016 program included 7 Ellerslie locations and 4 Lithic Glauc wells.

Prairie Provident continues to improve its drilling cycle times and overall costs at Wheatland by pad drilling and utilizing a mono-bore drilling design, which has significantly reduced surface costs, lowered the environmental footprint and increased the anticipated return on capital. These design optimizations combined with lower service costs have reduced drilling times from an average of 13 days down to 8.5 days, while all-in costs have been reduced by over 40% to $1.5 million per well from $2.7 million per well one year ago.

### *Princess, AB*

The integration of the Arsenal and Lone Pine assets following the completion of the business combination has progressed smoothly, and the Company anticipates adding approximately 350 boe/d of production from Arsenal's Princess area in 2017. Princess adds an attractive opportunity for Prairie Provident with 15 additional locations identified in the Detrital and Glauconite formations.

### *Evi, AB*

During the first quarter of 2016, Prairie Provident spent $2.3 million to advance its waterflood project at Evi by converting four producing wells to water injectors. With the new injectors, the Company currently has four two-well lateral injectors that have been online for approximately 27 and 6 months

respectively. Initial results from the program correspond with an independent study conducted in 2015 on the feasibility of a full-field waterflood program. Management believes that the waterflood program will help to stabilize production from this play and to enhance recoveries in the long-run. The Evi properties provide the Company with a stable cash flow base that complements its development programs.

**OUTLOOK**

Prairie Provident continues to advance its drilling program to maximize economic returns from its large inventory of shallow Mannville oil locations. This inventory of conventional horizontal and vertical wells provides the Company with over five years of drilling to underpin profitable per share growth. The depth of inventory accumulated to date allows the Company to focus on further increasing organic production through 2017 and beyond.

The Company's robust three-year hedge book provides downside price protection and supports funds from operations through 2018. An active drilling program during the second half of 2016 and into 2017 is expected to position the Company to deliver strong per share production growth and generate strong rates of return on its assets in the current commodity price environment.

***Fourth Quarter 2016 Expectations***

The Company remains on track to meet its 2016 target exit production of over 5,000 boe/d following the execution of its full year capital program, which has been expanded to $37.3 million. The $4.6 million increase in capital expenditures was due to the acquisition of additional lands at the Wheatland area in the third quarter of 2016, higher than budgeted working interests in certain Wheatland wells, and incremental investment in infrastructure at the Wheatland area to benefit future development. Fourth quarter 2016 funds from operations are expected to be approximately $4.5 million to $5.5 million, assuming a flat US$45.00/bbl WTI for the balance of 2016.

In June 2016, the Alberta Energy Regulator increased the Liability Management Ratio ("LMR") threshold for license transfers to 2.0. In Alberta, Prairie Provident had an LMR of 1.7 as of September 30, 2016 and expects improvement to its LMR as more Wheatland production comes on-stream and the Company completes certain reclamation projects. As such, Prairie Provident does not anticipate there will be any impediments to future acquisition opportunities.

***2017 Capital Program***

In light of the continuing fluctuations in commodity prices, Prairie Provident anticipates a 2017 capital program that it is scalable to accommodate the changing price environment. The Company 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.

The base case aims at funding the development program with funds from operations at the current commodity price environment. The accelerated case aims to take advantage of improved commodity prices and incorporates an expanded capital program that promotes further value accretion while maintaining a sensible balance sheet. Aside from organic growth, Prairie Provident's strong balance sheet, ample borrowing capacity and robust capital program equip the Company with financial flexibility to explore a variety of growth opportunities.

The 2017 program assumes 2017 estimated WTI US$53.30, FX rate of $0.75 per US$1.00, a differential to WCS of $21.00 and AECO $3.00/Mcf, and anticipates the following [1]:

| | Targets |
|---|---|
| Average production (boe/d) | 5,300 – 5,800 |
| % of liquids | 50% |
| Exit production (boe/d) | 5,500 – 6,000 |
| Operating netback ($/boe) | 14.00 – 15.00 |
| Operating netback, after realized gains from derivative instruments ($/boe) | 15.00 – 16.00 |
| Royalties (%) | 16% |
| Operating expenses ($/boe) | 16.50 – 17.50 |
| G&A, excluding stock-based compensation ($/boe) | 4.10 – 4.50 |
| Capital expenditures ($millions) | 25 – 35 |

(1) Operating netback is a non-IFRS measure (see Other Advisories).

See "Forward-Looking Statements" below.

**ABOUT PRAIRIE PROVIDENT:**

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta. The Company's strategy is to grow organically in combination with accretive acquisitions of conventional oil prospects, which can be efficiently developed. Prairie Provident's operations are primarily focused at Wheatland and Princess in Southern Alberta targeting the Lithic Glauc formation, along with an early stage waterflood project at Evi in the Peace River Arch. Prairie Provident protects its balance sheet through an active hedging program and manages risk by allocating capital to opportunities offering maximum shareholder returns.

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**FORWARD-LOOKING STATEMENTS**

*This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends," "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: projected capital expenditure plans, production, operating costs and G&A expenses of Prairie Provident in 2016 and 2017, the Company's views on assumptions as to royalty rates and future commodity prices, its risk management plans for 2016 and beyond and its future plans on merger and acquisition activities.*

*The forward-looking information and statements contained in this news release reflect material factors and expectations and assumptions of Prairie Provident including, without limitation: that Prairie Provident will continue to conduct its operations in a manner consistent with past operations; assumed commodity prices and currency exchange rate as specified; that the Company's wells produce in a manner consistent with its internal type curves and product type expectations; maintenance of the Company's current capital and operating cost structure; the*

*general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Prairie Provident's reserves and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and funds from operations to fund its planned expenditures. Prairie Provident believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.*

*The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Prairie Provident's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Prairie Provident or by third-party operators of Prairie Provident's properties, increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Prairie Provident's public disclosure documents (including, without limitation, those risks identified in this news release and in the Joint Management Information Circular of Lone Pine and Arsenal dated August 5, 2016, available at www.ppr.ca).*

*The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Prairie Provident assumes no obligation to publicly update or revise them to reflect new events or circumstances, or otherwise, except as may be required pursuant to applicable laws.*

## OTHER ADVISORIES

*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. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident 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 ratio of 6:1, utilizing a 6:1 conversion ratio may be misleading as an indication of value.*

### *Non-IFRS Measures*

*The Company uses terms in this news release and 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. For a reconciliation of each non-IFRS measure to its nearest IFRS measures, please refer to the "Non-IFRS Measures" section in the MD&A. The non-IFRS measures used 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.*

### *Net Debt*

*Net debt is defined as long-term debt plus working capital surplus or deficit. Working capital surplus or deficit is calculated as current liabilities less current assets as they appear on the balance sheets, and excludes current unrealized amounts pertaining to risk management contracts, assets held for sale and ARO contained within liabilities associated with assets held for sale, as well as the current portion of long-term debt and current portion of ARO.*

### *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 news release 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 Prairie Provident'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.*

### *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 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.*