Prairie Provident Announces Second Quarter 2018 Financial and Operating Results

Calgary, Alberta – August 9, 2018 – Prairie Provident Resources Inc. ("Prairie Provident", "PPR" or the "Company") (TSX:PPR) is pleased to announce its operating and financial results for the three and six months ended June 30, 2018, and to provide an operational update. PPR's consolidated financial statements ("Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2018 are available on its website and filed on SEDAR.

HIGHLIGHTS

- Production averaged 5,146 boe/d in the second quarter and 4,879 boe/d for the first six months of 2018, with a 70% liquids weighting in both periods, demonstrating the success of PPR's strategy to focus on oil and natural gas liquids ("NGL") opportunities. Production volumes in both Q2 and the first six months of 2018 reflect the divestment of certain non-core gas-weighted properties in Q4 2017 and natural declines, as well as an average of 960 boe/d and 510 boe/d of incremental production from the successful 2018 drilling program during each respective period.
- Subsequent to the end of the second quarter, PPR began producing from its second high impact well at Princess, bringing PPR's current production to approximately 6,000 boe/d, with a third Princess well scheduled to be brought on-stream in August 2018.
- First half 2018 exploration and development capital expenditures totaled $18.9 million, representing approximately 70% of the Company's anticipated annual capital budget, with activity largely focused at Princess, the Wayne area in Wheatland and the waterflood at Evi. Since the start of 2018, PPR has drilled eight wells with a 100% success rate, six of which were completed, tied-in and brought on production by the end of the second quarter. As noted above, one additional well was brought on-stream in July and the other is expected to be brought on-stream in August 2018.
- PPR's higher oil and NGL weighting has benefited the Company in Q2 and the first six months of 2018 as oil and NGL prices strengthened. The Company's Q2 2018 realized oil price of $70.96 per bbl and realized NGL price of $53.04 per bbl were 28% and 65% higher, respectively, over Q2 2017.
- Operating netbacks before realized hedging gains totaled $23.86/boe for Q2 2018 and $22.17/boe for the first half of 2018, an increase of 49% and 43%, respectively, from Q2 2017. The increases reflect the higher realized oil and NGL prices, partially offset by higher royalties and higher operating costs associated with increased oil production.
- Adjusted EBITDAX (before pro-forma adjustments) was $6.3 million in the second quarter and $11.3 million for the first six months of 2018, a decrease of $1.0 million and $ 2.2 million, respectively, from Q2 2017, impacted by higher operating netbacks but a realized hedging loss incurred in 2018 compared to a realized hedging gain in 2017.
- During the second quarter of 2018, PPR increased its borrowing base under its Revolving Facility from US$40 million to US$45 million. The expanded borrowing base reflects PPR's increased underlying reserves value and provides additional liquidity and financial flexibility heading into the second half of 2018.

- Net loss was $15.1 million for the second quarter of 2018 and $26.8 million for the first half of 2018. The net losses primarily resulted from non-cash items including depletion and depreciation and unrealized loss on derivative financial instruments.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s except per unit amounts)	**2018**	2017	**2018**	2017
Financial				
Oil and natural gas revenue	**24,187**	21,682	**43,470**	40,890
Net earnings	**(15,064)**	1,066	**(26,806)**	8,328
Per share – basic	**(0.13)**	0.01	**(0.23)**	0.08
Per share – diluted	**(0.13)**	0.01	**(0.23)**	0.07
Adjusted EBITDAX (before pro-forma adjustments)[(1)]	**6,319**	7,361	**11,341**	13,474
Per share – basic & diluted	**0.05**	0.06	**0.10**	0.12
Adjusted funds from operations[(2)]	**4,792**	7,060	**8,674**	12,994
Per share – basic & diluted	**0.04**	0.06	**0.07**	0.12
Capital expenditures (net of proceeds from dispositions)	**4,754**	4,767	**19,706**	53,153
Production Volumes				
Crude oil (bbls/d)	**3,513**	3,458	**3,302**	3,147
Natural gas (Mcf/d)	**9,175**	13,136	**8,776**	14,099
Natural gas liquids (bbls/d)	**104**	225	**114**	259
Total (boe/d)	**5,146**	5,872	**4,879**	5,756
% Liquids	**70%**	63%	**70%**	59%
Average Realized Prices				
Crude oil ($/bbl)	**70.96**	55.42	**66.60**	55.63
Natural gas ($/Mcf)	**1.20**	3.00	**1.62**	2.98
Natural gas liquids ($/bbl)	**53.04**	32.19	**52.87**	34.00
Total ($/boe)	**51.65**	40.58	**49.22**	39.25
Operating Netback ($/boe)[(2)]				
Realized price	**51.65**	40.58	**49.22**	39.25
Royalties	**(8.15)**	(5.63)	**(7.19)**	(5.80)
Operating costs	**(19.64)**	(18.90)	**(19.86)**	(17.98)
Operating netback	**23.86**	16.05	**22.17**	15.47
Realized gains on derivative instruments	**(6.28)**	2.15	**(4.71)**	1.78
Operating netback, after realized gains on derivative instruments	**17.58**	18.20	**17.46**	17.25

Notes:

(1) (2) Adjusted EBITDAX (before pro-forma adjustments), adjusted funds from operations and operating netback are non-IFRS measures. See "Other Advisories" below.

Capital Structure ($000s)	As at June 30, 2018	As at December 31, 2017
Working capital deficit[(1)]	**5,247**	2,201
Long-term debt	**68,420**	55,760
Total net debt[(2)]	**73,667**	57,961
Debt capacity[(3)] (in USD)	**7,000**	9,000
Common shares outstanding (in millions)	**115.8**	115.9

Notes:

(1) & (2) Working capital deficit and Net Debt are non-IFRS measures. See "Other Advisories" below.

(3) Debt capacity reflects the Revolving Facility of USD$45 million at June 30, 2018 and USD$40 million at December 31, 2017, net of amounts drawn thereunder at such dates.

	Three months ended June 30		Six months ended June 30	
Drilling Activity	**2018**	2017	**2018**	2017
Gross wells	**2**	—	**8**	4
Net (working interest) wells	**2.0**	—	**7.95**	4.0
Success rate, net wells (%)	**100**	N/A	**100**	100

OPERATIONS UPDATE

Wayne, AB

During Q2 2018, the Company finalized the completion and tie-in of the last of the three gross (3.0 net) wells drilled in the first quarter of 2018 in the Wheatland area. Below is a summary of the on-production timing and current production rates of the three wells:

- Wayne-1 came on stream in early April and is currently producing at approximately 76 boe/d (64% liquids);
- Wayne-2 came on stream in mid-April and is currently producing at approximately 45 boe/d (58% liquids); and
- Wayne-3 came on stream in early June and is currently producing at approximately 290 boe/d (30% liquids).

Princess, AB

At Princess, the Company drilled two gross (2.0 net) wells during the second quarter, finalized the completion and tie-in of three gross (3.0 net) wells drilled in the first quarter of 2018, and completed the construction of a multi-well satellite and associated pipelines.

One of the five Princess wells came on production in mid-March, and two began producing in early May 2018. On July 30, 2018, PPR announced results from a fourth well that was completed and brought on production subsequent to the quarter end. The fifth well is expected to be placed on production in August 2018. As announced in the Company's July 30, 2018 news release, Princess-1 and Princess-4 (as defined therein) have shown strong production rates and, based on current production rates and netbacks, could achieve payout in approximately three months, delivering the strongest economics in PPR's portfolio of properties.

Evi, AB

Year to date, the Company has directed $3.1 million in capital to continue the advancement of its waterflood project at Evi, which was allocated to pipeline construction and three injector conversions. Operations in the Evi area provide approximately 40% of corporate production with operating netbacks improving with the oil price increase to average approximately $39.22/boe in Q2 2018.

OUTLOOK AND GUIDANCE

Prairie Provident's business strategy has been built on a balanced approach, utilizing predictable funds flow from our low-decline oil assets to fuel growth developments. Our priorities remain focused on maintaining a strong balance sheet while delivering accretive growth in our asset value. PPR is encouraged by the well performance from its successful 2018 drilling program, especially the recent Lithic Glauconite wells at Princess.

Current average daily production is approximately 6,000 boe/d (74% liquids), representing a 17% increase over average daily Q2 2018 production. Based on current and projected production rates, Prairie Provident anticipates full-year production to be well within its 2018 guidance range of 5,200 to 5,600 boe/d. Prairie Provident's projected full-year 2018 capital budget remains consistent with its original guidance of $26 million. After bringing on-stream the fifth Princess well, PPR has approximately 22% of its 2018 capital budget available for further development.

As a result of accelerating a portion of its drilling program to Q1 from Q3 of 2018, PPR has increased its debt ratio in the second quarter of 2018 to 2.8 times Debt to Adjusted EBITDAX. Subsequent to June 30, 2018, PPR sold certain non-core properties for gross proceeds of $2.8 million without any impact to its borrowing capacity. The proceeds were applied first towards debt repayment and may be redeployed in the future. Together with the strong production and payout profile from the Princess Lithic Glauconite wells, the Company anticipates its debt leverage to improve through the remainder of the year.

PPR's active risk management program provides price protection through a rolling three-year hedging program that supports its capital program and provides upside participation in new production. Prairie Provident currently has approximately 60% of 2018 estimated base production volumes (net of royalties), 45% in 2019 and 25% in 2020 hedged using a mixture of costless collars and forward swaps to provide a higher level assurance of future cash flows. The Company will continue to monitor pricing conditions for hedging opportunities that offer greater upside participation should commodity prices rise.

Prairie Provident's full-year 2018 guidance estimates remain unchanged from those presented in the Company's news release dated March 28, 2018. Additional details on Prairie Provident's 2018 capital program and guidance can be found on the Company's website at www.ppr.ca.

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 Ellerslie and the Lithic Glauconite formations, 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 INFORMATION

This news release contains certain statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events or circumstances, and are based upon internal assumptions, plans, intentions, expectations and beliefs. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "believe", "expect", "intend", "plan", "budget", "forecast", "target", "estimate", "propose", "potential", "project", "continue", "may", "will", "should" or similar words suggesting future outcomes or events or statements regarding an outlook.

Without limiting the foregoing, this news release contains forward-looking statements pertaining to: expected timing for bringing on production the Company's fifth well drilled at Princess in 2018; additional liquidity and financial flexibility from PPR's increased borrowing base; anticipated full-year production for 2018; the payout profile for certain Princess wells; budgeted capital expenditures for 2018; expected improvements to the Company's debt leverage through the remainder of 2018; potential future hedging activities; and guidance estimates for 2018.

The forward-looking statements contained in this news release reflect material factors and expectations and assumptions of Prairie Provident including, without limitation: commodity prices and foreign exchange rates for 2018 and beyond; the timing and success of future drilling, development and completion activities (and the extent to which the results thereof meet Management's expectations); the continued availability of financing (including *borrowings under the Company's credit agreements) and cash flow to fund current and future expenditures, with external financing on acceptable terms; future capital expenditure requirements and the sufficiency thereof to achieve the Company's objectives; the performance of both new and existing wells; the successful application of drilling, completion and seismic technology; the Company's ability to economically produce oil and gas from its properties and the timing and cost to do so; the predictability of future results based on past and current experience; prevailing weather conditions; prevailing legislation and regulatory requirements affecting the oil and gas industry (including royalty regimes); the timely receipt of required regulatory approvals; the availability of capital, labour and services on timely and cost-effective basis; and the general economic, regulatory and political environment in which the Company operates. Prairie Provident believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.*

Although Prairie Provident believes that the expectations and assumptions upon which the forward-looking statements in this news release is based are reasonable based on currently available information, undue reliance should not be placed on such information, which is inherently uncertain, relies on assumptions and expectations, and is subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond the Company's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Prairie Provident can give no assurance that the forward-looking statements contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. These include, but are not limited to: risks inherent to oil and gas exploration, development, exploitation and production operations and the oil and gas industry in general,; adverse changes in commodity prices, foreign exchange rates or interest rates; the ability to access capital when required and on acceptable terms; the ability to secure required services on a timely basis and on acceptable terms; increases in operating costs; environmental risks; changes in laws and governmental regulation (including with respect to royalties, taxes and environmental matters); adverse weather or break-up conditions; competition for labour, services, equipment and materials necessary to further the Company's oil and gas activities; and changes in plans with respect to exploration or development projects or capital expenditures in respect thereof. These and other risks are discussed in more detail in the Company's current annual information form and other documents filed by it from time to time with securities regulatory authorities in Canada, copies of which are available electronically under Prairie Provident's issuer profile on the SEDAR website at ***www.sedar.com*** *and on the Company's website at* ***www.ppr.ca****. This list is not exhaustive.*

The forward-looking 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. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident sells its production volumes. Boes may therefore 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 certain terms in this news release and within the MD&A that do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly, these measures may not be comparable with the calculation of similar measures used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the “Non-IFRS Measures” section in the MD&A.

Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance, but should not be relied upon for comparative or investment purposes. The non-IFRS measures used in this news release are summarized as follows:

Working Capital **–** *Working capital (deficit) is calculated as current assets less current liabilities excluding the current portion of derivative instruments, the current portion of decommissioning liabilities and flow-through share premium. 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; and the current portion of flow-through share premium liabilities are excluded as it is a non-monetary liability.*

Net Debt – Net debt is defined as long-term debt plus working capital surplus or deficit. Net debt is commonly used in the oil and gas industry for assessing the liquidity of a company.

Operating Netback – Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measure assists management and investors to evaluate operating performance at the oil and gas lease level. Operating netbacks included in this news release were determined by calculating oil and gas revenues less royalties less operating costs, and dividing that number 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.

Adjusted Funds from Operations – Adjusted 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 operating performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring and uses the measure to assess its ability to finance operating activities, capital expenditures and debt repayment. Adjusted 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 and Adjusted EBITDAX (before pro-forma adjustments) – These measures are indicative of the Company's ability to manage its debt levels under current operating conditions. "Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements 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 ("pro-forma adjustments"). As transaction costs related to merger and acquisition transactions 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 long-term debt, Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters. Adjusted EBITDAX (before pro-forma adjustments) is determined by subtracting pro-forma adjustments from Adjusted EBITDAX.