Prairie Provident Announces First Quarter 2019 Financial and Operating Results

Calgary, Alberta – May 8, 2019 – Prairie Provident Resources Inc. ("Prairie Provident", "PPR" or the "Company") is pleased to announce our operating and financial results for the three months ended March 31, 2019. PPR's consolidated financial statements ("Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2019 are available on our website at www.ppr.ca and filed on SEDAR.

FIRST QUARTER 2019 HIGHLIGHTS

- Production averaged 5,962 boe/d (68% liquids), a 29% increase from the same period in 2018 driven by a successful development program and incremental production volumes from the Marquee acquisition in Q4 2018. Volumes were impacted by severely cold temperatures, the shut-in of natural gas weighted wells in the Wheatland and other non-operated areas and natural declines. Subsequent to the quarter, PPR has resumed approximately 400 boe/d of production impacted by cold weather and is currently producing within our 2019 production guidance range of 6,100 to 6,500 boe/d.
- Net loss totaled $21.3 million in the first quarter of 2019 compared to a net loss of $11.7 million the same period the prior year, primarily driven by non-cash items.
- Capital expenditures totaled $3.8 million and included $2.8 million to complete two gross (2.0 net) Slave Point wells at Evi, which were brought on production at the end of February.
- Operating netbacks[1] before realized hedging loss averaged $15.84/boe for the quarter, a significant improvement over the $2.30/boe in Q4 2018 due to higher realized prices but $4.43/boe lower compared to Q1 2018 due to lower realized prices and higher per unit operating expenses incurred to restore production impacted by severe cold weather, partially offset by a decrease in royalty expenses per boe.
- In this press release, adjusted funds flow[1] include decommissioning liability settlements, which were previously excluded from the calculation in accordance with common industry practice, to conform to recent direction expressed by Alberta Securities Commission staff regarding funds flow disclosure by oil and gas issuers. By including the cost of decommissioning liability settlements in adjusted funds flow for the first quarter, the current calculation results in a correspondingly lower adjusted funds flow amount than under the previous methodology. With many oil and gas issuers continuing to exclude decommissioning settlements from their own funds flow calculations, the Company emphasizes that its adjusted funds flow measurement may not be comparable with the calculation of similar measurements used by other companies.

[1] Non-IFRS measure – see below under "Non-IFRS Measures".

Applying the previous methodology, adjusted funds flow (excluding $3.0 million of decommissioning liability settlements) would have been $4.2 million (2018 – $3.9 million) for the first quarter of 2019; while under the current methodology, adjusted funds flow (including $3.0 million of decommissioning liability settlements) was $1.2 million (2018 – $3.2 million).

- Adjusted funds flow[1] in Q1 decreased by $2.0 million ($0.01/share) compared to Q1 2018, due to the impact of decommissioning settlements. During the quarter PPR invested $3.0 million of the $4.7 million allocated in its full-year budget for the clean-up and reclamation of inactive wells as part of our ongoing abandonment and reclamation obligations ("ARO"). The high concentration of spending in Q1 was attributable to the Company's focused effort on one of its winter-access-only areas where the Company successfully achieved economies of scale, combined with "catch-up" compliance activities on certain newly acquired Marquee properties. Excluding the $2.3 million quarter-over-quarter increase in ARO spending, adjusted funds flow increased by $0.3 million.
- PPR's lenders confirmed our US$60 million borrowing base under our senior secured revolving facility during the quarter, demonstrating their continued support as we continue to execute our corporate strategy. Further, our lenders also agreed to relax certain financial covenant ratios for the remainder of the year solely due to the impact of widened Canadian crude oil price differentials during Q4 2018 on the computation of PPR's financial covenants for 2019.
- On March 29, 2019, the Company's remaining capital commitment of $17.3 million in the Wheatland area was eliminated by mutual agreement with the lessor for an immaterial cash consideration. The Company also acquired leases on 4.25 sections of proven undeveloped lands in the Wayne area.
- As at March 31, 2019, total net debt remained consistent with year-end 2018, reflecting US$56.5 million drawn on our US$60 million revolving facility, US$29.9 million of subordinated notes, plus a working capital deficit of $7.7 million. PPR's 2019 budget forecast for capital expenditures is expected to be less than our projected adjusted funds flow at current strip pricing, positioning the Company to capture upside in a strengthening commodity price environment.
- At March 31, 2019, using the prevalent forward commodity prices the Company recorded $7.9 million of marked-to-market liabilities (December 31, 2018 – $6.6 million of assets) relating to derivative contracts settling the next three years.
- Capital was returned to our shareholders during the quarter pursuant to our normal course issuer bid program. During the three months ended March 31, 2019, PPR repurchased 643,130 shares at a weighted average cost of $0.21/share.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three Months Ended March 31,	
($000s except per unit amounts)	**2019**	2018
Financial		
Oil and natural gas revenue	**22,895**	19,283
Net loss	**(21,260)**	(11,742)
Per share – basic & diluted	**(0.12)**	(0.10)
Adjusted funds flow[1]	**1,248**	3,222
Per share – basic & diluted	**0.01**	0.04
Net capital expenditures[2]	**3,685**	14,952
Production Volumes		
Crude oil (bbls/d)	**3,892**	3,089
Natural gas (Mcf/d)	**11,568**	8,373
Natural gas liquids (bbls/d)	**142**	124
Total (boe/d)	**5,962**	4,609
% Liquids	**68%**	70%

Notes:
(1)(2) Adjusted funds flow and net capital expenditures are non-IFRS measures and are defined below under "Non-IFRS Measures".

Average Realized Prices		
Crude oil ($/bbl)	**56.70**	61.57
Natural gas ($/Mcf)	**2.44**	2.09
Natural gas liquids ($/bbl)	**38.65**	52.78
Total ($/boe)	**42.67**	46.49
Operating Netback ($/boe)[3]		
Realized price	**42.67**	46.49
Royalties	**(3.36)**	(6.12)
Operating costs	**(23.47)**	(20.11)
Operating netback	**15.84**	20.26
Realized losses on derivative instruments	**(0.24)**	(2.92)
Operating netback, after realized losses on derivative instruments	**15.60**	17.34

Notes:
(3) Operating netback are non-IFRS measures and are defined below under "Non-IFRS Measures".

Capital Structure ($000s)	As at March 31, 2019	As at December 31, 2018
Working capital (deficit)(1)	**(7.7)**	(16.1)
Long-term debt, less cash collateralized letters of credit	**(109.9)**	(100.1)
Total net debt(2)	**(117.6)**	(116.2)
Debt capacity(3)	**4.7**	21.8
Common shares outstanding (in millions)	**171.3**	171.9

Notes:
(1) Working capital (deficit) is a non-IFRS measure (see "Non-IFRS Measures" below) calculated as current assets less current liabilities excluding the current portion of derivative instruments, the current portion of decommissioning liabilities, the warrant liability and flow-through share premium.
(2) Net debt is a non-IFRS measure (see "Non-IFRS Measures" below), calculated by adding working capital (deficit) and long-term debt.
(3) Debt capacity reflects the undrawn capacity of the Company's revolving facility of USD$60 million at March 31, 2019 and USD$65 million at December 31, 2018, converted at an exchange rate of $1.0000 USD to $1.3363 CAD on March 31, 2019 and $1.0000 USD to $1.3642 CAD on December 31, 2018.

	Three months ended March 31	
	2019	2018
Drilling Activity		
Gross wells	**0**	6.0
Working interest wells	**n/a**	5.95
Success rate, gross wells (%)	**n/a**	100

OPERATIONS REVIEW

Michichi, AB

The Michichi area continues to contribute approximately 2,600 boe/d (46% liquids) to overall production with a significant inventory of high-quality future drilling locations to support longer-term growth.

Princess, AB

Current production is approximately 1,200 boe/d (77% liquids) in this area. Future development in 2019 includes the drilling of three horizontal Glauconite wells.

Evi, AB

During the quarter, PPR completed two gross (2.0 net) new Slave Point wells at Evi for $2.8 million which were brought on production at the end of February. Combined current production from the two wells averaged approximately 320 boe/d (93% liquids). Total current production from the Evi area is approximately 2,000 boe/d (98% liquids).

2019 OUTLOOK AND GUIDANCE

PPR's efficient and disciplined 2019 capital budget of $14.2 million is expected to be fully funded internally and underspend forecast 2019 adjusted funds flow. Management and the board will continuously review, and as needed adjust, the capital budget through the year considering commodity prices, economics and market opportunities. We will continue to focus on responsibly managing our inventory of high-quality drilling locations, manage our capital spending and ARO obligations while striving to enhance our per share production, reserves, and funds flow.

We are pleased to reiterate our full-year 2019 guidance, with estimates unchanged from those set out in PPR's year end 2018 news release dated March 27, 2019.

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 the Michichi and Princess areas in Southern Alberta targeting the Banff, the Ellerslie and the Lithic Glauconite formations, along with an established and proven waterflood project at our Evi area 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 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, are based upon internal assumptions, plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. 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: the Company's 2019 production guidance range of 6,100 to 6,500 boe/d; budgeted capital expenditure amounts for 2019 and the allocation thereof (including budgeted ARO spending for 2019); the Company's expectation to underspend forecast 2019 adjusted funds flow (see also "Non-IFRS Measures" below); 2019 development plans at Princess; and the Company's ability to capture upside benefits in a strengthening commodity price environment.

Forward-looking statements are based on a number of material factors, expectations or assumptions of Prairie Provident which have been used to develop such statements but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements, which are inherently uncertain and depend upon the accuracy of such expectations and assumptions. Prairie Provident can give no assurance that the forward-looking information contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Actual results or events will differ, and the differences may be material and adverse to the Company. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Prairie Provident will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities consistent with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells; the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Prairie Provident's reserves volumes; certain commodity price and other cost assumptions; continued availability of debt and equity financing and cash flow to fund Prairie Provident's current and future plans and expenditures; the impact of increasing competition; the general stability of the economic and political environment in which Prairie Provident operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Prairie Provident to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; the ability of Prairie Provident to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Prairie Provident to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; and the ability of Prairie Provident to successfully market its oil and natural gas products.

The forward-looking statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such statements, including the assumptions made in respect thereof, 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 statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Prairie Provident's products; the early stage of development of some of the evaluated areas and zones; the potential for variation in the quality of the Lithic Glauconite formation; 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 volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and such other risks as may be detailed from time-to-time in Prairie Provident's public disclosure documents, (including, without limitation, those risks identified in this news release and Prairie Provident's current Annual Information Form).

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.

Barrels of Oil Equivalent

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 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 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, the warrant liability 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.

<u>Operating Netback</u> – 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.

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

PPR has restated current and prior period adjusted funds flow to include decommissioning settlements that were previously excluded from the calculation. This adjustment was made in order to meet recent direction expressed by Alberta Securities Commission staff regarding funds flow disclosure by oil and gas issuers. The revised adjusted funds flow numbers incorporate more seasonal variability into previously disclosed numbers as a significant portion of PPR's decommissioning settlements incurred in the last few years has been in winter-access only areas, with considerably higher spend incurred in the winter months.

<u>Net capital expenditures</u> – Net capital expenditures is a non-IFRS measure commonly used in the oil and gas industry. The measurement assists management and investors to measure PPR's investment in the Company's existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment and exploration and evaluation expenditures from the consolidated statement of cash flows, plus capitalized stock-based compensation, plus acquisitions from business combinations, which is the outflow cash consideration paid to acquire oil and gas properties, less asset dispositions (net of acquisitions), which is the cash proceeds from the disposition of producing properties and undeveloped lands.