Prairie Provident Resources Announces Fourth Quarter and Year-End 2020 Financial and Operating Results

Calgary, Alberta – March 25, 2021 – Prairie Provident Resources Inc. ("Prairie Provident", "PPR" or the "Company") is pleased to announce our operating and financial results for the three months and year ended December 31, 2020. PPR's audited consolidated financial statements and related Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2020 and annual information form dated March 25, 2021 ("AIF") are available on our website at www.ppr.ca and filed on SEDAR.

In the spring of 2020, the world was struck by the COVID-19 pandemic. Prices for crude oil and natural gas dropped precipitously. In response, the Company took steps to maintain our liquidity and financial position. Initiatives undertaken include suspending the capital program; identifying immediate and targeted operating cost reductions; reducing compensation across the organization; and reaching agreements with our lenders to renew and extend our credit facilities. Our decisive actions allowed us to strengthen our liquidity, protect stakeholders' capital and deliver positive financial results while positioning PPR to take advantage of the rebound in commodity markets.

2020 HIGHLIGHTS

- **Annual production:** Production for 2020 averaged 4,781 boe/d (67% liquids), which was 21% lower than 2019. The decrease was primarily driven by natural declines and production shut-ins. In response to weak oil prices, beginning Q2 2020, PPR permanently shut-in approximately 130 boe/d of uneconomic oil production, suspended our capital program, and deferred our workover activities to preserve reserves value and liquidity. As oil prices have partially recovered, PPR resumed select workover activities in the second half of 2020 that met our economic thresholds. A number of projects remained uneconomic at the end of 2020, which continued contributing to temporary production loss. Q4 2020 production averaged 4,455 boe/d (66% liquids), 22% lower than the same period in 2019.

- **Adjusted funds flow ("AFF")[1]:** Despite the depressed commodity price environment through most of 2020, PPR generated positive AFF of $12.3 million for 2020 ($0.07 per basic and diluted share), excluding $1.9 million of decommissioning settlements. AFF decreased by 45% from 2019 due to lower production and lower operating netbacks, partially offset by increased realized hedging gains and a reduction in G&A expenses and cash interest expenses. AFF, excluding $0.4 million of decommissioning settlements, was $2.3 million ($0.01 per basic and diluted share) for Q4 2020, a 53% decrease from Q4 2019 due to the same factors that contributed to the annual decrease.

- **Reduced cost structure:** Annual and Q4 2020 operating expenses reduced by $9.4 million and $2.0 million (20% and 17%) from the same periods in 2019, while annual and Q4 2020 gross cash G&A expenses decreased by $3.4 million and $1.2 million (37% and 56%).

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

- **Operating netback[1]:** Operating netback for 2020 was $24.7 million ($14.10/boe) after realized gains on derivatives and $9.4 million ($5.39/boe) before the impact of derivatives in 2020, a 37% and 77% decrease from 2019, respectively. Our hedging program provided $15.2 million of realized gains in 2020 which partially mitigated a 38% and 34% drop in realized light & medium and heavy crude oil prices, respectively, from 2019. Q4 2020 operating netback was $5.8 million ($14.20/boe) after realized gains on derivatives and $3.5 million ($8.56/boe) before the impact of derivatives, a 34% and 62% decrease from Q4 2019, respectively, primarily due to lower realized commodity prices.

- **Net loss:** Net loss totaled $90.8 million in 2020, compared to a net loss of $33.1 million in 2019, driven primarily by non-cash items such as impairment loss, depletion and amortization, partially offset by gains on the modification of debt related to the refinancing transaction described below. For Q4 2020, net income totaled $3.1 million driven by Adjusted Fund Flow[1] of $2.3 million.

- **Exited 2020 with positive working capital[1]:** Working capital at year end 2020 was $5.3 million (December 31, 2019 – $2.2 million), including cash and restricted cash of $8.9 million. The increase in working capital was primarily due to lower accounts payable and accrued liabilities as a result of cost savings initiatives, the suspension of the capital program and the deferral and reduction of interest payments on bank debt.

- **2020 capital expenditures fully funded:** Our net capital expenditures[1] in 2020 came in at $3.8 million while Adjusted Funds Flow[1] net of decommissioning settlements totaled $10.5 million. During 2020, PPR directed capital resources primarily in the Michichi area where the Company drilled, completed and brought on production one gross (1.0 net) development well prior to the suspension of the capital program in Q2 2020 as a result of global economic conditions.

- **Net debt[1]**: As at December 31, 2020, net debt[1] totaled $115.9 million which was up $1.5 million from December 31, 2019 primarily due to deferred interest accumulated to the balance.

- **Credit facility renewal:** In December 2020, PPR entered into agreements with our lender providing for the renewal of our credit facilities, an issuance of US$11.4 million 6-year senior subordinated notes with proceeds applied against our revolving note facility ("Revolving Facility"), amendments to its existing credit agreements to reduce overall cash interest costs and reset financial covenants, and an issuance of warrants to purchase up to 34,292,360 common shares (representing 19.9% of the total number of shares then outstanding) at a price of $0.0192 per share. Overall, the agreements extended the term of the Company's debt instruments, provided additional liquidity, and reduced annual cash interest expenses.

- **Financial flexibility remains a priority:** At year-end 2020, PPR had US$11.2 million (CAN$14.3 million equivalent[2]) of borrowing capacity under the Revolving Facility. Borrowings under the Revolving Facility totaled US$46.5 million at December 31, 2020, comprised of US$30.5 million of CAD-denominated borrowing (equivalent to CAN$41.1 million[3]) and US$16.0 million of USD-denominated borrowing (equivalent to CAN$20.4 million of principal[2]). In addition, US$47.0 million of senior subordinated notes (equivalent to CAN$50.8 million of principal and CAN$9.0 million of deferred interest[2]) were outstanding at December 31, 2020, for total borrowings of US$93.4 million (CAN$121.3 million equivalent).

[1] Non-IFRS measure – see below under "Non-IFRS Measures"
[2] Based on an exchange rate of $1.0000 USD to $1.2732 CAD on December 31, 2020.
[3] Converted using an average exchange rate of $1.00 USD to $1.35 CAD.

FINANCIAL AND OPERATING SUMMARY

	Three Months Ended December 31,		Year Ended December 31,	
($000s except per unit amounts)	**2020**	2019	**2020**	2019
Production Volumes				
Light & medium crude oil (bbl/d)	**2,639**	3,436	**2,881**	3,716
Heavy crude oil (bbl/d)	**163**	278	**210**	251
Conventional natural gas (Mcf/d)	**9,080**	11,169	**9,328**	11,635
Natural gas liquids (bbl/d)	**140**	149	**136**	166
Total (boe/d)	**4,455**	5,725	**4,781**	6,071
% Liquids	**66 %**	67 %	**67 %**	68 %
Average Realized Prices				
Light & medium crude oil ($/bbl)	**45.04**	60.04	**38.05**	61.83
Heavy crude oil ($/bbl)	**40.91**	54.70	**35.26**	53.33
Conventional natural gas ($/Mcf)	**2.71**	2.21	**2.25**	1.72
Natural gas liquids ($/bbl)	**30.98**	31.08	**24.59**	30.48
Total ($/boe)	**34.67**	43.81	**29.56**	44.18
Operating Netback ($/boe)[1]				
Realized price	**34.67**	43.81	**29.56**	44.18
Royalties	**(3.18)**	(4.49)	**(2.87)**	(4.55)
Operating costs	**(22.93)**	(21.62)	**(21.30)**	(21.04)
Operating netback	**8.56**	17.70	**5.39**	18.59
Realized gains (losses) on derivative instruments	**5.64**	(0.85)	**8.71**	(0.98)
Operating netback, after realized gains (losses) on derivative instruments	**14.20**	16.85	**14.10**	17.61

Notes:
[1] Operating netback is a Non-IFRS measure (see "Non-IFRS Measures" below).

Capital Structure ($ millions)	**As at** **December 31, 2020**	As at December 31, 2019
Working capital[1]	**5.3**	2.2
Borrowings outstanding (principal plus deferred interest)	**(121.3)**	(116.7)
Total net debt[2]	**(115.9)**	(114.5)
Debt capacity[3]	**14.3**	21.8
Common shares outstanding (in millions)[4]	**172.3**	171.4

Notes:
[1] Working capital (deficit) is a non-IFRS measure (see "Non-IFRS Measures" below) calculated as current assets less current portion of derivative instruments, minus accounts payable and accrued liabilities.
[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, which had a borrowing base of USD$57.7 million at December 31, 2020 and USD$60.0 million at December 31, 2019, converted at an exchange rate of $1.0000 USD to $1.2732 CAD on December 31, 2020 and $1.0000 USD to $1.3642 CAD on December 31, 2019.
[4] Subsequent to December 31, 2020, PPR cancelled 44,711,330 common shares that were surrendered by a shareholder to the Company for nominal consideration. As of the date of the press release, PPR had 128.0 million common shares outstanding.

Drilling Activity	Three Months Ended December 31, 2020	2019	Year Ended December 31, 2020	2019
Gross wells	**—**	2.0	**1.0**	3.0
Net (working interest) wells	**—**	2.0	**1.0**	3.0
Success rate, net wells (%)	**N/A**	100	**100**	100

OUTLOOK

Subsequent to December 31, 2020, PPR cancelled 44,711,330 common shares, representing approximately 25.9% of the total number of common shares previously outstanding, that were surrendered by a shareholder to the Company for nominal consideration.

PPR enters 2021 with optimism propelled by additional liquidity, rebounding commodity prices and a lower cost structure. Our 2021 business strategy focuses on maintaining production and reserves while prudently investing to meet our abandonment and reclamation obligations ("ARO"). As commodity markets improve, PPR is positioned to upscale our capital program providing torque to stakeholders' return.

- Forecast average 2021 production is estimated at approximately 4,400 boe/d (65% liquids) through the year and to achieve a target exit rate of approximately 4,370 boe/d (67% liquids). Target average production contemplated is comprised of approximately 2,480 bbl/d of light and medium crude oil, 270 bbl/d of heavy oil, 9,220 Mcf/d of conventional natural gas and 115 bbl/d of natural gas liquids.

- Our 2021 capital budget totals $16.9 million, $11.0 million of which is dedicated to drill, complete and tie-in of four wells at the Princess area and $2.4 million is allocated to capitalized G&A, land, seismic and capital maintenance.

- The remaining $3.5 million of the 2021 capital budget is allocated to abandon and reclaim inactive wells. Gross investment in ARO is expected to be approximately $6.5 million, $3.0 million of which is expected to be covered by grants under the government-sponsored site rehabilitation program (SRP). The scale of our 2021 ARO program is dependent on the ultimate level of SRP funding approved by the regulators.

- Forecast 2021 operating expenses are $34.4 million or $21.42/boe.

- Gross cash general and administrative (“G&A”) expenses (before capitalized G&A and stock-based compensation expense) for 2021 are forecast to be $7.0 million or $4.36/boe.

- The Company continues to proactively hedge volumes in order to protect economics and currently has approximately 59% of 2021 forecast oil production hedged with an average swap and put option strike price of US$47.52 per bbl. To enhance upside participation, 75% of our oil hedges for 2021 are in three-way collars with an average cap of US$61.56/bbl.

- PPR’s 2021 capital program is expected to be funded from cash flows from operations and US$12.7 million of liquidity currently available under the Company's revolving note facility.

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: forecast average annual production for 2021 and the target composition thereof by product type; target exit production rate for 2021; budgeted capital expenditures for 2021 and the allocation thereof; anticipated capital projects in 2021, including drilling, completion and facilities plans; anticipated ARO spending in 2021 and expected coverage under the government-sponsored Site Rehabilitation Program (SRP); forecast operating expenses and G&A costs for 2021; the Company's ability to fund its capital budget from cash flows and available liquidity under its revolving note facility; continued borrowing capacity under the Company's revolving note facility; and the Company's ability to adjust its capital program in response to commodity price changes.

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 statements 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, and their consistency with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells (including with respect to production profile, decline rate and product type mix); the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Prairie Provident's reserves volumes; future commodity prices; future operating and other costs; future USD/CAD exchange rates; future interest rates; continued availability of external financing and cash flow to fund Prairie Provident's current and future plans and expenditures, with external financing on acceptable terms; the impact of 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; 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; the 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 or promises of future outcomes, and should not be 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 realized 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 geologic formations targeted by Prairie Provident's operations; 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; increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and gas reserves 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 the AIF).

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 excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The 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 warrant liabilities are excluded as it is a non-monetary liability. Lease liabilities have historically been excluded as they were not recorded on the balance sheet until the adoption of IFRS 16 – Leases on January 1, 2019.

Net Debt – Net debt is defined as borrowings under long-term debt plus working capital surplus. 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 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 as oil and gas revenues less royalties less operating costs. Operating netback may be expressed in absolute dollar terms or on a per unit basis. Per unit amounts are determined by dividing the absolute value by gross working interest production. Operating netback after gains or losses on derivative instruments, adjusts the operating netback for only realized gains and losses on derivative instruments.

Adjusted Funds Flow – Adjusted funds flow is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, other non-recurring items and before decommissioning settlements. 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.

Net Capital Expenditures – 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.