Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three Months Ended March 31, 2022

Dated: May 11, 2022

Advisories

In this management's discussion and analysis ("MD&A"), unless otherwise indicated or the context otherwise requires, the terms "we", "us", "our", "PPR", "Prairie Provident" and "the Company" refers to Prairie Provident Resources Inc., as parent corporation, together with its wholly-owned subsidiaries, Prairie Provident Resources Canada Ltd., Lone Pine Resources Inc., Lone Pine Resources (Holdings) Inc., Arsenal Energy USA Inc. and Arsenal Energy Holding Ltd.

The following MD&A of PPR provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three months ended March 31, 2022. This MD&A is dated May 11, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022 (the "Interim Financial Statements"), the audited consolidated financial statements of PPR as at and for the year ended December 31, 2021 (the "2021 Annual Financial Statements") and the 2021 annual MD&A (the "Annual MD&A"). Additional information relating to PPR, including the Company's December 31, 2021 Annual Information Form, is available on SEDAR at www.sedar.com.

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

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

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

Abbreviations

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

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
MMboe	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
GJ	gigajoule
AECO	AECO "C" hub price index for Alberta natural gas
CGU	cash-generating-unit
DD&A	depreciation, depletion and amortization
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
P&D	production and development
PSU	performance share unit
DSU	deferred restricted share unit
RSU	restricted share unit
WTI	West Texas Intermediate
USD	U.S. dollars
CAD	Canadian dollars
US	United States
CDN	Canadian

Financial and Operational Summary

($000s except per unit amounts)	Three Months Ended March 31, 2022	2021
Production Volumes		
Light & medium crude oil (bbl/d)	**1,809**	2,453
Heavy crude oil (bbl/d)	**791**	117
Conventional natural gas (Mcf/d)	**8,763**	8,233
Natural gas liquids (bbl/d)	**115**	129
Total (boe/d)	**4,175**	4,071
% Liquids	**65 %**	66 %
Average Realized Prices		
Light & medium crude oil ($/bbl)	**116.73**	60.34
Heavy crude oil ($/bbl)	**80.33**	51.76
Conventional natural gas ($/Mcf)	**4.83**	3.48
Natural gas liquids ($/bbl)	**81.06**	44.79
Total ($/boe)	**78.17**	46.31
Operating Netback ($/boe)[1]		
Realized price	**78.17**	46.31
Royalties	**(9.52)**	(3.34)
Operating costs	**(26.81)**	(26.80)
Operating netback	**41.84**	16.17
Realized loss on derivatives	**(14.78)**	(2.94)
Operating netback, after realized loss on derivatives	**27.06**	13.23

First Quarter 2022 Financial & Operational Highlights

- Production averaged 4,175 boe/d (65% liquids) in the quarter, which was 3% or 104 boe/d higher than Q1 2021, due primarily to production additions from the successful 2021 five gross (5.0 net) Princess drilling program, partially offset by natural declines. Additionally, production from 2022 drilling activity of two gross (2.0 net) Michichi wells which came on production in early March 2022 contributed incremental production of approximately 75[2] boe/d in the quarter (see "Net Capital Expenditures" section for further information). Production is expected to increase throughout the remainder of 2022 as we continue to add production from our 2022 capital program.
- Operating netback[1] for Q1 2022 was $15.7 million ($41.84/boe) before the impact of realized losses on derivatives, and $10.2 million ($27.06/boe) after realized losses on derivatives, a 165% and 110% increase, respectively, relative to Q1 2021. Our mandatory hedge positions pursuant to credit facility covenants resulted in $5.6 million of realized losses in Q1 2022, which partially dampened the 93% and 55% increase in realized light & medium and heavy crude oil prices, respectively, from Q1 2021. Q1 2022 operating expense was $26.81 boe/d, consistent with Q1 2021.
- Net loss totaled $1.9 million in Q1 2022, a $9.6 million improvement compared to Q1 2021. The decrease was primarily driven by a $15.0 million non-cash impairment reversal recognized in Q1 2022, partially offset by an increase in unrealized losses on derivative instruments of $5.8 million.
- Net cash from operating activities for the first quarter of 2022 totaled $2.5 million, a decrease of $2.1 million from the first quarter of 2021. The change was primarily related to $2.0 million increase in decommissioning settlements during the first quarter of 2022 as compared to the same period in the prior year as well as a negative impact on the change in non-cash working capital, increased restructuring costs and increased G&A costs, partially offset by a higher operating netback after realized losses on derivative instruments.

- Adjusted funds flow ("AFF")[1] excluding $2.1 million of decommissioning settlements, totaled $6.9 million ($0.05 per basic and diluted share) in Q1 2022, a 230% improvement from the same quarter of 2021, primarily the result of higher operating netbacks after realized hedging losses.
- During the quarter, Net Capital Expenditures[1] of $7.4 million were primarily directed to the Michichi area where we drilled, completed, equipped and tied-in two gross (2.0 net) development wells, both of which came on production in early March 2022, converted a producing well to an injection well to expand our waterflood in the area and incurred costs related to facility upgrades. Additionally, we spent $0.2 million on the reactivation of our Loyalist field, which was shut-in in 2020 due to weak commodity prices. Production in the Loyalist area is expected to resume in the second quarter of 2022.
- PPR actively reduced our decommissioning liabilities in 2022 with the settlements of $2.3 million, of which $2.1 million was internally funded with the remainder covered by government grants under the Government of Alberta Site Rehabilitation Program.
- Net debt[1] at March 31, 2022 totaled $128.1 million, an increase of $3.8 million from December 31, 2021. The increase was attributed to aggregate capital expenditures, lease payments, decommissioning settlements and restructuring costs that exceeded AFF[1] in the quarter, as well as the recognition of $0.5 million of deferred interest on on the Company's long-term debt, partially offset by a $1.1 million unrealized foreign exchange gain on our US dollar denominated debt.
- At March 31, 2022, PPR had US$49.3 million (CAN$64.7 million equivalent) of borrowings drawn against its US$53.8 million revolving facility ("Revolving Facility"), leaving US$4.5 million (CAN$5.6 million equivalent) of available borrowing capacity. In addition, US$48.8 million of Senior Notes (defined herein; CAN$61.0 million equivalent) were outstanding at March 31, 2022, for total borrowings of US$98.1 million (CAN$125.7 million using the March 31, 2022 exchange rate).

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1 Operating netback, AFF, working capital (deficit), net debt and net capital expenditures are non-GAAP financial measures and are defined below under "Non-GAAP and Other Financial Measures".

2 Comprised of average production of approximately 61 bbl/d of light & medium crude oil, 78 Mcf/d of conventional natural gas and 2 bbl/d of natural gas liquids.

OUTLOOK

During the first quarter of 2022 PPR spent $9.7 million of the previously announced full year $22 million capital program, including asset retirement obligation spending. PPR is very encouraged by the initial flow rates of the recently drilled Michichi Banff wells and has identified several reactivation and recompletion opportunities within it's suspended well inventory. The second half capital program is currently under evaluation as we prioritize remaining investment opportunities and PPR will provide further clarity on the second half program in the coming weeks. We intend to work to maintain the budgeted outcomes from the allocated capital, however the key elements of the remaining program will be optimized to maximize value for PPR shareholders.

Bids were received for several packages in the non-core disposition package that was marketed in the first quarter. We are reviewing bids and will provide a further update when we have evaluated the optimum disposition outcomes.

Results of Operations

Production

	Three Months Ended March 31,	
	2022	2021
Light & medium crude oil (bbl/d)	**1,809**	2,453
Heavy crude oil (bbl/d)	**791**	117
Conventional natural gas (Mcf/d)	**8,763**	8,233
Natural gas liquids (bbls/d)	**115**	129
Total (boe/d)	**4,175**	4,071
Liquids Weighting	**65 %**	66 %

Average production for the three months ended March 31, 2022 was 4,175 boe/d (65% liquids), a increase of 3%, compared to the same period in 2021. The increase was mainly due to the successful 2021 drilling program, partially offset by natural declines.

Drilling activity in the first quarter of 2022 included two gross (2.0 net wells) in the Michichi area, which came on production in early March 2022 (see "Net Capital Expenditures" section for further information) and contributed incremental production during the quarter of approximately 75 boe/d.

Revenue

	Three Months Ended March 31,	
($000s, except per unit amounts)	**2022**	2021
Revenue		
Light & medium crude oil	**19,005**	13,322
Heavy crude oil	**5,719**	545
Conventional natural gas	**3,809**	2,580
Natural gas liquids	**839**	520
Oil and natural gas revenue	**29,372**	16,967
Average Realized Prices		
Light & medium crude oil ($/bbl)	**116.73**	60.34
Heavy crude oil ($/bbl)	**80.33**	51.76
Conventional natural gas ($/Mcf)	**4.83**	3.48
Natural gas liquids ($/bbl)	**81.06**	44.79
Total ($/boe)	**78.17**	46.31
Benchmark Prices		
Crude oil - WTI ($/bbl)	**119.50**	73.16
Crude oil - Edmonton Light Sweet ($/bbl)	**115.58**	66.22
Crude oil - WCS ($/bbl)	**101.02**	57.43
Natural gas - AECO monthly index-7A ($/Mcf)	**4.58**	2.92
Natural gas - AECO daily index - 5A ($/Mcf)	**4.74**	3.12
Exchange rate - US$/CDN$	**0.79**	0.79

PPR’s first quarter 2022 revenue increased by 73% or $12.4 million from the first quarter of 2021, principally due to an increase in realized crude oil and natural gas prices. Light & medium crude oil revenue for the first quarter of 2022 increased by 43%, compared to the corresponding period in 2021, primarily due to realized light & medium crude oil prices increasing 93%, partially offset with a 26% decrease in light & medium crude oil production volumes. Heavy crude oil revenue increased by

949% in the first quarter of 2022 compared to the first quarter of 2021 due to an increase in heavy oil production volumes of 576% related to the successful 2021 drilling program in the Princess area, coupled with an increase in heavy oil realized prices of 55%. PPR's product prices generally correlate to changes in the benchmark prices. The average WTI price increased by 63% or $46.34/bbl from the first quarter of 2021. However, Canadian oil differentials have shifted as compared to the first quarter of last year. In the first quarter of 2022, the WCS to WTI differential widened to $18.48/bbl (Q1 2021 - $15.73/bbl), and the Edmonton Light Sweet to WTI differential narrowed to $3.92/bbl (Q1 2021 - $6.94/bbl). First quarter 2022 conventional natural gas revenue increased by 48% or $1.2 million, compared to the same quarter in 2021, reflecting a 39% increase in realized natural gas prices and a 6% increase in production volumes.

Average realized prices per boe for the first quarter of 2022 increased by 69% or $31.86/boe compared to the same period in 2021, correlating to increases in the realized prices across all products.

Royalties

	Three Months Ended March 31,	
($000s, except per boe)	**2022**	2021
Royalties	**3,577**	1,225
Per boe	**9.52**	3.34
Percentage of revenue	**12.2 %**	7.2 %

The Company pays royalties to respective provincial governments and landowners in accordance with the established royalty regime. A large portion of PPR's royalties are paid to the Crown, which are based on various sliding scales that are dependent on incentives, production volumes and commodity prices.

First quarter 2022 royalties increased by $2.4 million, compared to the corresponding period in 2021, primarily due to higher commodity prices coupled with production volume increases of 3%.

On a percentage of revenue basis, royalties for the three months ended March 31, 2022, increased compared to the corresponding period in 2021 due to higher average royalty rates linked to higher realized commodity prices.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. In addition, PPR's credit facilities require the Company to maintain certain level of hedges on a rolling 24 month basis. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended March 31,	
($000s)	**2022**	2021
Realized loss on derivatives	**(5,552)**	(1,076)
Unrealized loss on derivatives	**(10,118)**	(4,304)
Total loss on derivatives	**(15,670)**	(5,380)
Per boe		
Realized loss on derivatives	**(14.78)**	(2.94)
Unrealized loss on derivatives	**(26.92)**	(11.74)
Total loss on derivatives	**(41.70)**	(14.68)

Realized losses and gains on derivative risk management contracts represent the cash settlements of outstanding contracts while unrealized gains and losses on derivative risk management contracts reflect changes in the mark-to-market positions of outstanding contracts in the current period. Both realized and unrealized gains and losses on derivative contracts vary based on fluctuations related to the specific terms of outstanding contracts in the related period including contract types, contract quantities and fluctuations in underlying commodity reference prices.

The unrealized loss on derivatives recognized for the three months ended March 31, 2022 was due to an increase in WTI futures prices at March 31, 2022 relative to the underlying prices of the derivative contracts.

The Company's realized prices are exposed to fluctuations in the US dollar and Canadian dollar exchange rate, which serve as natural hedges to the US dollar denominated debt. Therefore, the Company has entered into commodity hedges predominantly in US dollars to maintain such economic hedges.

As at March 31, 2022, the Company held the following outstanding derivative contracts:

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/ bbl
Crude Oil Put Spread Options (No Ceiling)			
January 01, 2023 - March 31, 2023	US$ WTI	1,100	$40.00/50.00
April 01, 2023 - June 30, 2023	US$ WTI	1,050	$40.00/50.00
July 01, 2023 - December 31, 2023	US$ WTI	600	$55.00/65.00
Crude Oil Three-way Collars			
April 01, 2022 - June 30, 2022	US$ WTI	300	$30.00/40.00/58.50
April 01, 2022 - June 30, 2022	US$ WTI	1,150	$35.00/45.00/64.00
July 01, 2022 - December 31, 2022	US$ WTI	1,250	$32.00/42.00/64.00
July 01, 2023 - December 31, 2023	US$ WTI	500	$55.00/65.00/105.00

Remaining Term	Reference	Total Daily Volume (MMBtu)	Weighted Average Price/ MMBtu
Natural Gas Three-way Collars			
April 01, 2022 - December 31, 2022	US$ NYMEX	3,600	$1.75/2.00/3.32
January 01, 2023 - March 31, 2023	US$ NYMEX	3,300	$2.00/2.50/3.75
July 01, 2023 - December 31, 2023	US$ NYMEX	1,700	$2.25/2.75/4.65
July 01, 2023 - December 31, 2023	US$ NYMEX	1,700	$2.25/2.75/4.90
Natural Gas Collars			
April 01, 2023 - June 30, 2023	US$ NYMEX	3,000	$2.00/3.80

Derivative contract counterparties have entered into inter-creditor agreements with the Company’s lender to eliminate cash margin requirements.

Operating Expenses

($000s, except per boe)	Three Months Ended March 31, 2022	2021
Lease operating expense	7,000	7,524
Transportation and processing	1,590	959
Production and property taxes	1,485	1,336
Total operating expenses	10,075	9,819
Per boe	26.81	26.80

During the three months ended March 31, 2022, lease operating expenses decreased by 7% or $0.5 million, from the same period in 2021, as a result of lower labour and vehicle costs and reduced fuel and power pricing. This was partially offset by increases linked to inflation along with increased workover activity and maintenance costs incurred to re-establish production during the first quarter of 2022.

Transportation and processing expenses for the three months ended March 31, 2022 increased by 66% or $0.6 million compared to the same period in 2021. The increase was primarily due to higher trucking costs incurred as a result of the redirection of certain incremental production from the 2021 drilling program to an alternative processing location to achieve higher realized prices.

Production and property tax expenses for the three months ended March 31, 2022 were relatively consistent with the costs incurred in the same period in 2021. The $0.1 million increase is primarily related to increased freehold mineral taxes related to the 2021 drilling program.

On a per boe basis, total operating expense for the three months ended March 31, 2022 was consistent with total operating expense for the three months ended March 31, 2021.

Operating Netback[1]

($ per boe)	Three Months Ended March 31, 2022	2021
Revenue	78.17	46.31
Royalties	(9.52)	(3.34)
Operating costs	(26.81)	(26.80)
Operating netback	41.84	16.17
Realized losses on derivatives	(14.78)	(2.94)
Operating netback, after realized losses on derivatives	27.06	13.23

PPR's operating netback after realized losses on derivatives was $27.06/boe for the three months ended March 31, 2022, representing an increase of $13.83/boe compared with the same period in 2021. The increase was due to average realized prices rising by $31.86/boe, partially offset by a $11.84/boe increase in the realized losses on derivatives, a $6.18/boe increase in royalties and a $0.01/boe increase in operating expenses, compared to the corresponding three-month period in 2021.

[1] Operating netback is a non-IFRS measures and is defined below under "Other Advisories"

General and Administrative Expenses ("G&A")

	Three Months Ended March 31,	
($000s, except per boe)	**2022**	2021
Gross cash G&A expenses	**2,243**	1,787
Gross share-based compensation expense	**18**	27
Less amounts capitalized	**(282)**	(186)
Net G&A expenses	**1,979**	1,628
Per boe	**5.27**	4.44

For the three months ended March 31, 2022, gross cash G&A increased by $0.5 million or 26%, compared to the same period in 2021. The first quarter increase is largely due to salaries and benefit costs in the first quarter of 2021 as compared to the first quarter of 2021 as a result of increased corporate activity levels and the reinstatement of employee salaries and benefits which were reduced in 2020 and through the first half of 2021 due to economic conditions as a result of the global pandemic. Additionally, the Canadian Employee Wage Subsidy program ended in October 2021 and as such, will have no impact on G&A in 2022, whereas PPR qualified for $0.2 million of grants in the first quarter of 2021, reducing gross cash G&A expenses for the period.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and the timing and quantity of forfeitures. Gross stock-based compensation decreased by 33% for the three months ended March 31, 2022 compared with the same period in 2021. There were no new grants issued under the Company's share-based compensation program during the three months ended March 31, 2022.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects.

Finance Costs

	Three Months Ended March 31,	
($000s, except per boe)	**2022**	2021
Cash interest expense	**1,261**	1,252
Deferred interest expense	**535**	387
Non-cash interest on debt modification and warrant liabilities	**1,536**	1,481
Amortization of financing costs	**49**	87
Non-cash interest on lease liabilities	**64**	124
Accretion – decommissioning liabilities	**604**	421
Accretion – other liabilities	**3**	2
Total finance cost	**4,052**	3,754
Interest Expense (defined below) per boe	**4.78**	4.47
Non-cash interest and accretion expense per boe	**6.00**	5.77

Deferred interest expense is interest expense which has been added to the principal balance of borrowings outstanding and will be repaid under the terms of principal repayments in accordance to the underlying borrowing agreements. Cash interest expense and deferred interest expense (collectively, "Interest Expense") is primarily comprised of interest incurred related to the Company's outstanding borrowings. The increase in Interest Expense of $0.2 million for the three months ended March 31, 2022, compared to the same period in 2021 related to the increase on the borrowing rate on a portion of its Senior Notes which were on an interest holiday throughout 2021 to 4% starting on March 21, 2022 (see the "Capital Resources" section below for further details) and higher average borrowings under its Revolving Facility during the first quarter of 2022, compared to the same period in 2021.

The weighted average effective interest rate for the three months ended March 31, 2022, was 5.2% (2021 – 5.2%) and excludes non-cash interest on debt, amortization of financing costs, non-cash interest on financing leases and accretion expense.

Accretion – decommissioning liabilities increased by $0.2 million during the three months ended March 31, 2022, compared to the same period in 2021, due to an increase in the risk-free discount rate.

Gain (Loss) on Foreign Exchange

	Three Months Ended March 31,	
($000s)	**2022**	2021
Realized (gain) loss on foreign exchange	**3**	(65)
Unrealized gain on foreign exchange	**(1,093)**	(907)
Gain on foreign exchange	**(1,090)**	(972)

Foreign exchange (gains) losses incurred in the three months ended March 31, 2022 and March 31, 2021, related largely to the translation impact on US dollar denominated borrowings (see “Capital Resources and Liquidity” section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended March 31,	
($000s, except per boe)	**2022**	2021
Exploration and evaluation expense	**178**	131
Per boe	**0.47**	0.36

E&E expenses are comprised of undeveloped land expiries and surrendered leases.

Depletion and Depreciation

	Three Months Ended March 31,	
($000s, except per boe)	**2022**	2021
Depletion and depreciation	**5,479**	5,809
Depreciation on right-of-use assets	**455**	511
Total depletion expense	**5,934**	6,320
Per boe	**15.79**	17.25

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. Depletion expenses are calculated using depletion rates and production volumes applicable to each depletable unit. The decrease in depletion expense in the three months ended March 31,2022, compared to the same period of 2021 reflects shifts in production to areas with lower depletion rates.

Impairment Loss

Total P&D impairment reversal	(15,000)	—

As at March 31, 2022, the significant increase in forecast benchmark commodity prices since the last impairment test at June 30, 2021 was identified as an indicator of impairment reversal for the Company's Evi cash generating unit ("CGU"). PPR conducted a test for impairment reversal for the Evi CGU, resulting in the recognition of $15.0 million of impairment reversal in net income for the three months ended March 31, 2022.

PPR assessed and concluded that there were no indicators of impairment or impairment reversal against its E&E assets as at March 31, 2022 or indicators of impairment or impairment reversal against its P&D and E&E assets as at March 31, 2021.

Net Loss

	Three Months Ended March 31,	
($000s except per share)	2022	2021
Net loss	(1,897)	(11,506)
Per share – basic & diluted	(0.01)	(0.07)

Net loss for the first quarter of 2022 was $1.9 million, compared to a net loss of $11.5 million in the same quarter of 2021. The decrease in net loss of $9.6 million incorporated a $4.8 million increase in AFF excluding decommissioning settlements in the first quarter of 2022 as compared to the first quarter of 2021, as well as the impact of non-cash items including a $15.0 million impairment reversal recorded in the first quarter of 2022, partially offset by a $5.8 million increase in unrealized loss on open derivative contracts and a $3.4 million increase in loss on warrant liability.

Net Capital Expenditures[1,2]

	Three Months Ended March 31,	
($000s)	2022	2021
Drilling and completion	6,004	3,808
Equipment, facilities and pipelines	1,067	213
Land and seismic	128	321
Capitalized overhead and other	260	192
Total capital expenditures	7,459	4,534
Asset dispositions (net of acquisitions)	(20)	(102)
Net capital expenditures	7,439	4,432

[1] Net capital expenditures include expenditures on E&E assets.
[2] Net capital expenditures are non-IFRS measures and are defined below under "Other Advisories"

Capital expenditures prior to acquisitions or dispositions for the three months ended March 31, 2022, were $7.5 million. The Company focused its capital activities during the first three months of 2022 on the Michichi area where it incurred $6.1 million to drill, complete, equip and tie-in two gross (2.0 net) development Banff formation wells which came on production in early March 2022. PPR also spent $0.5 million on the conversion of a producing well in Michichi to an injection well to expand its waterflood in the area and $0.1 million on facility upgrades in the area. Furthermore, $0.2 million was spent to reactive the Loyalist field, which was shut-in during 2020 as a result of weak commodity prices. Production is expected to resume in the Loyalist area during the second quarter of 2022.

In the first quarter of 2021, capital expenditures prior to acquisitions or dispositions were $4.5 million. The Company focused its capital activities on the Princess area where it incurred $3.8 million to drill two gross (2.0 net) development wells and to complete of one of the wells drilled. PPR also spent $0.3 million on undeveloped land in the Princess area. The second Princess well was completed and both wells came on production in the second quarter of 2021.

Decommissioning Liabilities

PPR’s decommissioning liabilities at March 31, 2022 were $144.8 million (December 31, 2021 - $146.3 million) to provide for future remediation, abandonment and reclamation of PPR’s oil and gas properties. The decrease of $1.5 million from year-end 2021 was primarily due to internally funded settlements of decommissioning obligations of $2.1 million, partially offset by $0.6 million of accretion.

Changes in estimates result in a corresponding increase or decrease in the carrying amount of the related assets except for certain assets with a zero carrying value, in which case, the amount is immediately recognized in the income statement.

The Company estimated the undiscounted and inflation-adjusted future liabilities to be approximately $243.9 million (December 31, 2021 - $245.9 million) spanning over the next 55 years, based on an inflation rate of 1.6% (December 31, 2021 - 1.6%). Of the estimated undiscounted future liabilities, $18.0 million is estimated to be settled over the next five years. Funding received from under the government sponsored Site Rehabilitation Program may increase estimated settlements over the next five years. While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At March 31, 2022, the Company had a working capital deficit (as defined in “Other Advisories” below) of $2.4 million (December 31, 2021 – $0.4 million). The increase in working capital deficit from December 31, 2021 resulted from an increase in accrued capital expenditures related to capital activity during the quarter and increases in accounts payables for derivative settlements related to increased commodity prices at the end of the first quarter as compared to the end of the prior year, partially offset by increased accrued revenue, also related to commodity price increases.

Revolving Facility

PPR's Revolving Facility has a borrowing base of US$53.8 million and a maturity date of December 31, 2023. The borrowing base is subject to a reduction to US$50.0 million on December 31, 2022 and to semi-annual redeterminations thereafter, without limiting the lenders' right to require a redetermination at any time. The next borrowing base re-determination is in Spring 2023 based on the year-end 2022 reserves evaluation.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of PPR’s oil and natural gas properties in accordance with the lenders’ customary practices for oil and gas loans. If a borrowing base deficiency exists because of a re-determination, the lender is required to notify the Company of such shortfall. The Company may repay the shortfall amount by either making one installment within 90 days or six equal consecutive monthly installments beginning within 30 days after the Company's receipt of the borrowing base deficiency notice.

The following table provides a breakdown of borrowings drawn against the US$53.8 million Revolving Facility:

($000s)	March 31, 2022	December 31, 2021
USD Advances (USD $18.9 million (December 31, 2021 - USD $17.0 million))[1]	23,618	21,553
CAD Advances (USD $30.0 million (December 31, 2021 - USD $30.0 million))[2]	40,530	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2021 - USD $0.4 million)[2]	541	541
Revolving Facility (USD $49.3 million (December 31, 2021 - USD $47.4 million))	64,689	62,624

[1] Converted using the month end exchange rate of $1.00 USD to $1.25 CAD as at March 31, 2022 and $1.00 USD to $1.27 CAD as at December 31, 2021.
[2] Converted using the exchange rate at the time of borrowing of $1.00 USD to $1.35 CAD.

The increase in borrowings from year-end 2021 was largely due to draws under the Revolving Facility of $2.4 million in the first quarter of 2022. As at March 31, 2022, the Company had US$4.5 million (CAN$5.6 million equivalent) borrowing capacity under the Revolving Facility.

Amounts borrowed under the Revolving Facility can be drawn in the form of USD or CAD advances bearing interest based on reference bank lending rates in effect from time to time, plus an applicable margin. Applicable margins per annum are 650 basis points until December 31, 2022, and then 950 basis points thereafter, and standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

Under the Revolving Facility, PPR can make further draws under the Revolving Facility on or before the maturity date, subject at all times to the then-applicable commitment amount. Borrowings under the Revolving Facility are repayable at the Company's election at par plus accrued interest and any applicable breakage costs. Repayments generally will not affect the aggregate commitment or borrowing base under the Revolving Facility, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The Revolving Facility is denominated in USD, but accommodates CAD advances up to the lesser of CAN$54 million or US$30 million. All notes were issued at par by PPR Canada and are guaranteed by Prairie Provident Resources Inc. and certain of its other subsidiaries and secured by a US$200 million debenture.

As at March 31, 2022, PPR had outstanding letters of credit of $4.2 million. The letters of credit are issued by a financial institution at which PPR posted a cash deposit to cover letters of credit. The related deposit is classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

As at March 31, 2022, $0.3 million of deferred costs related to the Revolving Facility were netted against its carrying value (December 31, 2021 – $0.4 million).

Subordinated Senior Notes

On December 29, 2021, PPR amended its agreements for senior notes originally issued on October 31, 2017 and November 21, 2018 with total principal outstanding of US$28.5 million (the "Senior Notes due 2024"). Under the amendments, the maturity date was extended from June 30, 2023 to June 30, 2024. Under a previous amendment to the Senior Notes due 2024 that occurred on December 21, 2020, the annual interest rate was reduced from 15% per annum to nil until June 30, 2021, and was set to rise thereafter to 4% at the earlier of 15 months after closing (March 2022) and the last day of the fiscal quarter for which the Company's trailing 12-month senior leverage ratio is 2.5 or less, and to 8% at the earlier of 20 months after closing (August 2022) and the last day of the fiscal quarter for which the Company's trailing 12-month senior leverage ratio is 2.0 or less. PPR did not incur any interest expense between December 21, 2020 and March 21, 2022, at which time the interest rate increased to 4% per the terms of the agreements.

Additionally, on December 21, 2020, PPR issued US$11.4 million (CAN$14.2 million using the March 31, 2022 month-end exchange rate of $1.00 USD to $1.25 CAD) of senior notes with a maturity date of December 21, 2026 ("Senior Notes due 2026", together with "Senior Notes due 2024" are herein referred to as "Senior Notes")) bearing interest at 12% per annum. Net proceeds from the issuance of Senior Notes due 2026 were applied against borrowings under the Revolving Facility upon issuance.

Interest on Senior Notes is payable quarterly. The Senior Note agreements provide that so long as any indebtedness remains outstanding under the Revolving Facility, PPR may elect to defer all interests due on the Senior Notes. The terms of the Revolving Facility require that the Company make this election. PPR will thereafter be permitted to elect to defer up to 4.00%

per annum of interest on the Senior Notes. At the date of this MD&A, PPR expects to defer future interest for the respective terms of the Senior Notes.

The following table provides a breakdown of Senior Notes principal and deferred interest balances at the dates presented. The borrowings which are denominated in USD have been converted to CAD using the month-end exchange rate as at the respective dates presented of $1.00 USD to $1.25 CAD as at March 31, 2022 and $1.00 USD to $1.27 CAD as at December 31, 2021.

($000s)	March 31, 2022	December 31, 2021
Senior Notes Issued October 31, 2017		
Principal (US$16.0 million)	19,994	20,285
Deferred interest (US$4.4 million (December 31, 2021 - US$4.4 million))	5,532	5,587
Total Principal and Deferred Interest - October 31, 2017 Senior Notes	25,526	25,872
Senior Notes Issued November 21, 2018		
Principal (US$12.5 million)	15,620	15,848
Deferred interest (US$2.6 million (December 31, 2021 - US$2.6 million))	3,298	3,324
Total Principal and Deferred Interest - November 21, 2018 Senior Notes	18,918	19,172
Senior Notes Issued December 21, 2020		
Principal (US$11.4 million)	14,230	14,438
Deferred interest (US$1.9 million (December 31, 2021 - US$0.04))	2,322	1,866
Total Principal and Deferred Interest - December 21, 2020 Senior Notes	16,552	16,304
Total Principal and Deferred Interest - Senior Notes	60,996	61,348

In conjunction with the issuance of the Senior Notes due 2026, the Company issued a total of 34,292,360 warrants with an exercise price of $0.0192 per share for an eight-year term expiring on December 21, 2028.

The warrants are classified as financial liabilities due to a cashless exercise provision and are measured at fair value upon issuance and at each subsequent reporting period, with the changes in fair value recorded in the consolidated statement of income (loss). The fair value of these warrants is determined using the Black-Scholes option valuation model. The value of the warrant liability as at March 31, 2022, was $8.9 million (December 31, 2021 - $4.1 million).

PPR accounted for the December 29, 2021, amendments to the Senior Notes due 2024 as a modification, resulting in the recognition of a gain on revaluation of the liability in the fourth quarter of 2021 of $3.5 million.

No deferred costs related to PPR's Senior Notes were netted against their carrying value as at March 31, 2022 or December 31, 2021.

Covenants

The note purchase agreement for the Revolving Facility, the Senior Notes agreement and related parent and subsidiary guarantees contain various covenants on the part of the Company and its subsidiaries including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, capital expenditures, hedging activities, investments, dividends and mergers and acquisitions. In addition, capital expenditures and acquisitions are generally limited to consistency with the Company's annual development plan, as created and updated by the Company from time to time and approved by the lenders.

The agreements for the Revolving Facility and the Senior Notes include the same financial covenants, with less restrictive thresholds under the Senior Notes agreements.

The applicable financial covenants thresholds as at March 31, 2022, are as follows:

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement	As at March 31, 2022
Senior Leverage[1]	Cannot exceed 5.70 to 1.00	Cannot exceed 6.56 to 1.00	2.39 to 1.00
Asset Coverage[2]	Cannot be less than 0.40 to 1.00	Cannot be less than 0.34 to 1.00	1.61 to 1.00
Current Ratio[3]	Cannot be less than 0.90 to 1.00	Cannot be less than 0.77 to 1.00	1.16 to 1.00

[1] Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness (defined herein) to EBITDAX (as defined below in "Other Advisories") for the four quarters most recently ended. Senior adjusted indebtedness is defined as Adjusted Indebtedness (defined herein) less subordinated borrowings. Adjusted Indebtedness is defined as borrowings less outstanding letters of credit for which PPR has issued cash collateral.

[2] Under the debt agreements, the Asset Coverage ratio is the ratio of the net present value of estimated future net revenue from proved reserves (discounted at 10% per annum) adjusted for hedging transactions to Adjusted Indebtedness.

[3] Under the debt agreements, the current ratio is the ratio of consolidated current assets, plus any undrawn capacity under the Revolving Facility, to consolidated current liabilities at the end of any fiscal quarter. Under the agreements, current assets exclude derivative assets while current liabilities exclude the current portion of long-term debt, lease liabilities, decommissioning obligations, derivative liabilities and non-cash liabilities.

Future thresholds for financial covenants vary by quarter and are as follows:

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement
Senior Leverage	Cannot exceed between 3.00 and 6.36 to 1.00	Cannot exceed between 3.00 and 7.31 to 1.00
Asset Coverage	Cannot be less than between 0.34 and 0.87 to 1.00	Cannot be less than between 0.29 and 0.78 to 1.00
Current Ratio	Cannot be less than 1.00 to 1.00	Cannot be less than 0.85 to 1.00

The Company was in compliance with all applicable covenants as at March 31, 2022.

Shareholders' Equity

At March 31, 2022, PPR had consolidated share capital of $101.4 million (December 31, 2021 – $101.4 million) and had 128.9 million (December 31, 2021– 128.7 million) outstanding common shares. The Company had 34.3 million warrants outstanding as at March 31, 2022 (December 31, 2021 – 34.3 million). The outstanding warrants were issued in conjunction with the modification and issuance of Senior Notes on December 21, 2020 and have an exercise price of $0.0192 per share and an eight-year term expiring December 21, 2028.

The Company did not grant any equity instruments to officers and employees during the first quarter of 2022. As at March 31, 2022, 2.3 million (December 31, 2021 – 3.4 million) options were outstanding with a weighted average strike price of $0.11 per share, of which 1.2 million were exercisable at a weighted average strike price of $0.14 per share. Options vest evenly over a three-year period and expire five years after the grant date. As at March 31, 2022, 1.2 million (December 31, 2021 – 1.5 million) RSUs were outstanding. RSUs vest evenly over a three-year period. DSUs vest in their entirety on the grant date and will be settled when a director ceases to be a member of the board of directors. As at March 31, 2022, 1.9 million (December 31, 2021 – 1.9 million) DSUs were outstanding.

As of the date of this MD&A, there are 128.9 million common shares, 2.1 million RSUs, 3.5 million stock options, 1.9 million DSUs, and 34.3 million outstanding warrants.

Capital Management and Liquidity

PPR's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers its capital structure to include shareholders' equity, borrowings under its credit facilities and working capital.

The Company monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its oil and gas properties. Adjustments are made on an ongoing basis in order to meet its capital management objectives. Modifications to PPR's capital structure can be accomplished through issuing common shares, issuing new debt or replacing existing debt, adjusting capital spending or acquiring or disposing of assets, though there is no certainty that any of these additional sources of capital would be available if required.

PPR's short-term capital management objective is to fund its capital expenditures necessary for the replacement of production declines primarily using AFF (as defined in "Other Advisories" below). Value-creating activities may be financed with a combination of AFF and other sources of capital. The Company has determined that its current financial obligations, including current commitments will be adequately funded from the available borrowing capacity, working capital and AFF.

PPR monitors its capital structure using the ratio of senior debt to trailing twelve months' Bank Adjusted EBITDAX (as defined in "Other Advisories" below). Senior debt to Bank Adjusted EBITDAX provides a measure of the Company's ability to manage its debt levels under current operating conditions. The Company's goal is to manage this ratio within the financial covenants imposed on it under its outstanding debt agreements. Senior debt to Bank Adjusted EBITDAX at March 31, 2022 was 2.39 to 1.00 (December 31, 2021 – 2.86 to 1.00). Management of debt levels is a priority for PPR and the Company's capital program was designed with this key objective in mind.

Off Balance Sheet Transactions

There were no off-balance sheet transactions entered into during the period, nor are there any outstanding as of the date of this MD&A.

Contractual Obligations and Commitments

For the three months ended March 31,2022, there was no material change to the Company's commitments or contractual obligations as disclosed in the Annual Financial Statements.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Production Volumes								
Light & medium crude oil (bbl/d)	1,809	2,198	2,261	2,514	2,453	2,639	2,730	2,996
Heavy crude oil (bbl/d)	791	492	384	179	117	163	200	183
Conventional natural gas (Mcf/d)	8,763	9,246	8,986	9,122	8,233	9,080	8,704	9,351
Natural gas liquids (bbl/d)	115	138	131	140	129	140	135	141
Total (boe/d)	4,175	4,369	4,273	4,354	4,071	4,455	4,516	4,879
% Liquids	65 %	65 %	65 %	65 %	66 %	66 %	68 %	68 %
Financial								
Oil and natural gas revenue	29,372	25,064	22,133	20,259	16,967	14,211	13,904	8,333
Royalties	(3,577)	(3,346)	(2,708)	(2,324)	(1,225)	(1,305)	(1,404)	(1,033)
Unrealized gain (loss) on derivatives	(10,118)	3,990	(2,904)	(6,884)	(4,304)	(3,917)	(3,879)	(15,029)
Realized gain (loss) on derivatives	(5,552)	(3,947)	(2,276)	(2,257)	(1,076)	2,313	2,847	8,085
Revenue net of realized and unrealized gains (losses) on derivatives	10,125	21,761	14,245	8,794	10,362	11,302	11,468	356
Net (loss) earnings	(1,897)	7,851	(9,922)	23,995	(11,506)	3,130	(8,276)	(17,559)
Per share – basic	(0.01)	0.06	(0.08)	0.19	(0.07)	0.02	(0.05)	(0.10)
Per share – diluted	(0.01)	0.05	(0.08)	0.16	(0.07)	0.02	(0.05)	(0.10)
AFF [(1)]	4,815	1,718	4,344	4,153	1,979	1,853	3,818	4,570
Per share – basic	0.04	0.01	0.03	0.03	0.01	0.01	0.02	0.03
Per share – diluted	0.04	0.01	0.03	0.03	0.01	0.01	0.02	0.03
AFF excluding decommissioning settlements [(1)]	6,939	4,302	4,796	4,268	2,104	1,946	3,912	5,221
Per share – basic	0.05	0.03	0.04	0.03	0.01	0.01	0.02	0.03
Per share – diluted	0.05	0.03	0.04	0.03	0.01	0.01	0.02	0.03

1 AFF and AFF excluding decommissioning settlements are non-GAAP measure and are defined below under "Non-GAAP and Other Financial Measures".

Over the past eight quarters, the Company's oil and natural gas revenue has fluctuated primarily due to changes in production and movement in commodity prices. The Company's production has varied due to its capital development program at its core areas and natural declines. Movements in oil and natural gas revenue attributable to fluctuations in commodity prices were partially offset by realized gains/losses on derivatives. Significant swings in unrealized gains/losses on derivatives occurred due to fluctuations in forward prices at each period end. With the exception of the fourth quarter of 2021, second quarter of 2021 and fourth quarter of 2020, the Company incurred net losses due to non-cash expenses, including unrealized derivative losses, impairments to P&D and E&E assets, DD&A, accretion expense and foreign exchange losses related to the US dollar denominated borrowings. The Company has maintained positive AFF in all the quarters.

First quarter of 2022 oil and natural gas revenue increased from the prior quarter mainly due to higher average realized prices per boe, partially offset by decreased production volumes. Though the Company realized $6.9 million of AFF (before decommissioning settlements of $2.1 million), a net loss of $1.9 million was recorded in the first quarter of 2022 due to non-cash items including, losses on derivatives of $10.1 million, $5.9 million of depletion and depreciation expense, $2.3 million non-cash finance costs and $4.8 million loss on warrant liabilities revaluation, partially offset by a $1.1 million unrealized foreign exchange gain and impairment reversal of $15.0 million.

Fourth quarter 2021 oil and natural gas revenue was the highest among the past eight quarters due to improved average realized prices per boe. Net earnings of $7.9 million in the fourth quarter of 2021 were largely the result of non-cash items including impairment recovery of $6.5 million related to changes in decommissioning liabilities of certain properties that had a zero carrying value, unrealized gains on derivatives of $4.0 million, and a gain of $3.5 million related to the debt refinancing in December 2021, partially offset by depletion and depreciation expense of $6.0 million and non-cash financing costs of $2.5 million. The Company realized $4.3 million of AFF (excluding decommissioning settlements of $2.6 million).

Third quarter 2021 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe. Though the Company realized $4.8 million of AFF (before decommissioning settlements of $0.5 million), a net loss of $9.9 million was recorded in the third quarter of 2021 due to non-cash items including $6.1 million of depletion and depreciation expense, $2.9 million unrealized loss on derivatives, $2.2 million of unrealized foreign exchange loss, $2.2 million of non-cash finance costs, $1.0 million of loss on warrant liability and $0.7 million of impairment loss related to changes in decommissioning liabilities of certain properties that had zero carrying value.

Second quarter 2021 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe coupled with increased production volumes. The Company realized $4.3 million of AFF (before decommissioning settlements of $0.1 million) and $24.0 million of net earnings in the second quarter of 2021 due to non-cash items including $35.0 of impairment reversal related to P&D assets and $1.1 million of unrealized foreign exchange gains, partially offset by a $6.9 million unrealized loss on derivatives, a $2.2 million non-cash finance costs and $6.3 million of depletion and depreciation expense.

First quarter of 2021 oil and natural gas revenue increased from the prior quarter mainly due to higher average realized prices per boe, partially offset by decreased production volumes. Though the Company realized $2.1 million of AFF[1] (before decommissioning settlements of $0.1 million), a net loss of $11.5 million was recorded in the first quarter of 2021 due to non-cash items including $6.3 million of depletion and depreciation expense, losses on derivatives of $4.3 million, $2.1 million non-cash finance costs and $1.4 million loss on warrant liabilities revaluation, partially offset by a $1.0 million unrealized foreign exchange gain.

Fourth quarter 2020 oil and natural gas revenue increased from the prior quarter primarily due to higher average realized prices per boe, partially offset by lower production volumes. Net earnings of $3.1 million in the fourth quarter of 2020 was largely the result of non-cash items including a gain of $15.9 million related to the debt refinancing in December 2020 and unrealized foreign exchange gains of $3.5, partially offset by unrealized losses on derivatives of $3.9 million, non-cash financing costs of $5.5 million, depletion and depreciation expense of $6.8 million and impairment of $1.9 million. The Company realized $2.3 million of AFF[1] (before decommissioning settlements of $0.4 million).

Third quarter 2020 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe partially offset by decreased production volumes. Though the Company realized $3.9 million of AFF[1] (before decommissioning settlements of $0.1 million), a net loss of $8.3 million was recorded in the third quarter of 2020 due to non-cash items including a $3.9 million unrealized loss on derivatives, a $3.4 million non-cash finance costs and a $6.7 million of depletion and depreciation expense, partially offset by a unrealized foreign exchange gain of $1.5 million.

Second quarter of 2020 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. Though the Company realized $5.2 million of AFF[1] (before decommissioning settlements of $0.7 million), a net loss of $17.6 million was recorded in the second quarter of 2020 due to non-cash items including a $15.0 million unrealized loss on derivatives, a $4.1 million non-cash finance costs and a $7.1 million of depletion and depreciation expense, partially offset by a unrealized foreign exchange gain of $3.5 million.

Internal Control Over Financial Reporting and Officer Certifications

Internal control over financial reporting is a process designed to provide reasonable assurance that all the assets are safeguarded and transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable and timely information. Due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements due to fraud or error, no matter how well internal controls are designed. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in NI 52-109. The control framework PPR's officers used to design and evaluate the Company's internal controls over financial reporting is the Internal Control – Integrated Framework (2013) by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). There have been no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2022 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Changes in Accounting Policies

The following new or amended accounting standards and pronouncements issued are applicable to PPR in future periods:

Amendments to IAS 1 Presentation of Financial Statements
In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, that specifies the requirements for the classification of debt and other liabilities as either current or non-current. The amended is effective on January 1, 2023. The Company plans to adopt this standard on January 1, 2023 and is in the process of determining the potential impact of this amendment on the consolidated financial statements.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other Canadian oil and gas operators and the business risks are very similar. Significant risks are summarized in the Annual MD&A and have remained unchanged during the first quarter of 2022. Additional risks are provided in the "Risk Factors" section of the 2021 Annual Information Form filed on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements and information in this MD&A may constitute forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements regarding the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "could," "believe," "anticipate," "intend," "plan," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements with respect to, among other things:

- estimates of the Company's oil and natural gas reserves;
- estimates of the Company's future oil, natural gas and NGL production, including estimates of any increases or decreases in the Company's production;
- estimates of future capital expenditures;
- estimates and judgements related to common share and warrants valuations;

- the Company’s future financial condition and results of operations;
- the source of funding for the Company's activities, including development costs;
- the Company’s future revenues, cash flows and expenses;
- the Company’s access to capital and expectations with respect to liquidity and capital resources;
- the Company’s future business strategy and other plans and objectives for future operations;
- the Company’s future development opportunities and production mix;
- the Company’s outlook on oil, natural gas and NGL prices;
- the anticipated benefits of merger and acquisitions, including prospective operating synergies, G&A cost savings, improved economies of scale, risk of drilling opportunities and marketplace liquidity;
- the anticipated timeframe for the closing of mergers and acquisitions;
- the amount, nature and timing of future capital expenditures, including future development costs;
- the Company’s ability to access the capital markets to fund capital and other expenditures;
- the Company’s expectations regarding the its's ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company’s assessment of the it’s counterparty risk and the ability of the Company’s counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

PPR believes the expectations and forecasts reflected in the Company’s forward-looking statements are reasonable, but PPR can give no assurance that they will prove to be correct. Readers are cautioned that these forward-looking statements can be affected by inaccurate assumptions and are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control, incident to the exploration for and development, production and sale of oil and natural gas. When considering forward-looking statements, you should keep in mind the assumptions, risk factors and other cautionary statements that include, among other things:

- the volatility of oil, natural gas and NGL prices, and the related differentials between realized prices and benchmark prices;
- a continuation of depressed natural gas prices;
- the availability of capital on economic terms to fund the Company’s capital expenditures and potential acquisitions;
- the Company’s ability to obtain adequate financing to pursue other business opportunities;
- the Company's ability to reach an agreement with counterparties to new financing arrangements on terms and conditions that are acceptable to the Company or at least as favorable to the Company than those of the existing credit facilities, or will improve PPR's liquidity profile;
- the Company’s ability to generate sufficient cash flow from operations or obtain adequate financing to fund the Company’s capital expenditures and meet working capital needs;
- the Company’s ability to replace and sustain production;
- a lack of available drilling and production equipment, and related services and labor;
- increases in costs of drilling, completion and production equipment and related services and labor;
- unsuccessful exploration and development drilling activities;
- regulatory and environmental risks associated with exploration, drilling and production activities;
- declines in the value of the Company’s oil and natural gas properties, resulting in impairments;
- the adverse effects of changes in applicable tax, environmental and other regulatory legislation;
- a deterioration in the demand for the Company’s products;
- the risks and uncertainties inherent in estimating proved oil and natural gas reserves and in projecting future rates of production and the timing of expenditures;
- intense competition with companies with greater access to capital and staffing resources;
- the risks of conducting operations in Canada and the impact of pricing differentials, fluctuations in foreign currency exchange rates and political developments on the financial results of the Company’s operations; and
- the uncertainty related to pending litigation against the Company.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, the Company’s actual results and plans could differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A, and the Company undertakes no obligation to update this information to reflect events or circumstances after the delivery of this MD&A. All forward-looking statements, expressed or implied, included in this MD&A are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that the Company may make or persons acting on the Company’s behalf may issue.

Other Advisories

Volumetric Conversion

The oil and gas industry commonly expresses production volumes and reserves on a “barrel of oil equivalent” basis (“boe”) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout the MD&A, PPR has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where PPR sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-GAAP and Other Financial Measures

PPR uses terms within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may not be comparable with the calculation of similar measurements used by other companies. Non-GAAP and other financial 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. Readers must not consider non-GAAP and other financial measures in isolation or as a substitute for analysis of the Company’s financial results as reported under IFRS. Non-GAAP and other financial measures may include non-GAAP measures, non-GAAP ratios, capital management measures, supplementary measures and total of segment measures. The non-GAAP and other financial measures used in this report are summarized as follows:

Working Capital (Deficit)

Working capital (deficit) is a non-GAAP financial measure, calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities and corresponds with the terms defined under the Company's debt agreements for the calculation of the Current Ratio covenant (see "*Capital Resources and Liquidity - Covenants*" section above). In addition to measuring covenant compliance, this measure is used to assist management and investors in understanding liquidity at a specific point in time.

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

($000s)	**March 31, 2022**	December 31, 2021
Current assets	**22,444**	19,603
Less: current derivative instrument assets	**—**	—
Current assets excluding current derivatives instruments	**22,444**	19,603
Less: Accounts payable and accrued liabilities	**24,881**	19,970
Working capital (deficit)	**(2,437)**	(367)

Operating Netback

Operating netback is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to evaluate operating performance. Operating netbacks included in this report were determined by taking oil and gas revenues less royalties and operating costs. Operating netback, after realized gains (losses) on derivatives, adjusts the operating netback for only realized portion of gains and losses on derivatives. Operating netback may be expressed in absolute dollar terms or on a per boe basis. Per boe amounts are determined by dividing the absolute value by working interest production. Operating netback per boe and operating netback, after realized gains (losses) on derivatives per boe are non-GAAP financial ratios.

The following table provides a calculation of operating netback:

	Three Months Ended March 31,	
($000s)	2022	2021
Oil and natural gas revenue	29,372	16,967
Royalties	(3,577)	(1,225)
Operating expenses	(10,075)	(9,819)
Operating netback	15,720	5,923
Realized losses on derivatives	(5,552)	(1,076)
Operating netback, after realized losses on derivatives	10,168	4,847

Adjusted Funds Flow ("AFF")

AFF is a non-GAAP financial measure calculated based on net cash from operating activities before changes in non-cash working capital, transaction costs, restructuring costs and other non-recurring items. The Company believes that AFF provides a useful measure of PPR's operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary. Management utilizes the measure to assess PPR's ability to finance capital expenditures and debt repayments. AFF 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. AFF per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share. AFF per share is a non-GAAP ratio.

The following table reconciles cash flow from operating activities to AFF and AFF excluding decommissioning settlements::

	Three Months Ended March 31,	
($000s)	2022	2021
Net cash from operating activities	2,469	4,617
Changes in non-cash working capital	1,122	(2,604)
Other	(35)	(34)
Transaction and restructuring costs	1,259	—
Adjusted funds flow ("AFF")	4,815	1,979
Decommissioning settlements	2,124	125
AFF - excluding decommissioning settlements	6,939	2,104

Bank Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Bank Adjusted EBITDAX, which is a capital management measure, 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 Revolving Facility and Senior Notes. "Bank Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period. As transaction costs related to business combinations are non-recurring costs, Bank Adjusted EBITDAX is calculated excluding transaction costs, as a meaningful measure of continuing net income. For purposes of calculating covenants under long-term debt, Bank Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters.

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

	Three Months Ended March 31,	
($000s)	**2022**	2021
Net loss before income tax	**(1,897)**	(11,506)
Add (deduct):		
Interest	**3,445**	3,331
Depletion and depreciation	**5,479**	5,809
Depreciation on right-of-use assets	**455**	511
Exploration and evaluation expense	**178**	131
Unrealized loss on derivatives	**10,118**	4,304
Impairment reversal	**(15,000)**	—
Accretion	**607**	423
Gain on foreign exchange	**(1,090)**	(972)
Change in other liabilities	**43**	—
Share – based compensation	**15**	19
Gain on sale of properties	**(20)**	(131)
Loss on warrant liability	**4,801**	1,372
Non-cash other income	**(189)**	0
Transaction and restructuring costs	**1,259**	0
Pro-forma impact of acquisitions	**—**	0
Bank Adjusted EBITDAX	**8,204**	3,291

Net Capital Expenditures

Net capital expenditures is a non-GAAP financial measure commonly used in the oil and gas industry, which the Company believes is a useful measure to assist management and investors to assess PPR's investment in its existing asset base. Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment expenditures 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.

The following table provides a calculation of Net Capital Expenditures:

	Three Months Ended March 31,	
($000s)	**2022**	2021
Exploration and evaluation expenditures	**128**	321
Property and equipment expenditures	**7,328**	4,205
Capitalized stock-based compensation	**3**	8
Asset disposition (net of acquisition)	**(20)**	(102)
Net capital expenditures	**7,439**	4,432

Net Debt

Net debt is a non-IFRS measure, defined as borrowings under long-term debt including principal and deferred interest, plus working capital surplus or deficit. Net debt is a measure commonly used in the oil and gas industry for assessing the liquidity of a company.

The following table provides a calculation of net debt:

($000s)	**March 31, 2022**	December 31, 2021
Working capital (deficit)[1]	**(2,437)**	(367)
Borrowings outstanding (principal plus deferred interest)	**(125,685)**	(123,972)
Total net debt	**(128,122)**	(124,339)

[1] Working capital (deficit) is a non-IFRS measure and is defined above under "Other Advisories".