Prairie Provident Resources Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the Three and Six Months Ended
June 30, 2022

Dated: August 5, 2022

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at *($000s)*	Note	June 30, 2022	December 31, 2021
ASSETS			
Cash		**2,537**	1,851
Restricted cash	7,18	**4,332**	4,332
Accounts receivable	18	**13,856**	9,315
Inventory		**807**	823
Prepaid expenses and other assets		**3,853**	3,282
Total current assets		**25,385**	19,603
Exploration and evaluation	4	**3,683**	4,344
Property and equipment	5	**213,215**	205,816
Right-of-use assets	6	**1,599**	2,581
Other assets		**619**	619
Total assets		**244,501**	232,963
LIABILITIES			
Accounts payable and accrued liabilities		**21,429**	19,970
Current portion of bank debt	7	**1,162**	—
Current portion of lease liabilities	9	**1,550**	2,274
Current portion of derivative instruments	18	**13,929**	8,618
Current portion of decommissioning liability	10	**4,000**	4,000
Warrant liability	8	**7,544**	4,115
Total current liabilities		**49,614**	38,977
Long-term bank debt	7	**118,212**	109,355
Long-term portion of lease liabilities	9	**153**	584
Derivative instruments	18	**1,433**	686
Decommissioning liabilities	10	**131,833**	142,332
Other liabilities		**7,712**	7,589
Total liabilities		**308,957**	299,523
SHAREHOLDERS' DEFICIT			
Share capital	11	**101,542**	101,421
Contributed surplus		**38,814**	38,772
Accumulated deficit		**(205,236)**	(207,227)
Accumulated other comprehensive income ("AOCI")		**424**	474
Total deficit		**(64,456)**	(66,560)
Total liabilities and shareholders' deficit		**244,501**	232,963

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS (UNAUDITED)

		Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	Note	**2022**	2021	**2022**	2021
REVENUE					
Oil and natural gas revenue	14	**38,145**	20,259	**67,517**	37,226
Royalties		**(6,187)**	(2,324)	**(9,764)**	(3,549)
Oil and natural gas revenue, net of royalties		**31,958**	17,935	**57,753**	33,677
Unrealized (loss) gain on derivative instruments	18	**4,061**	(6,884)	**(6,057)**	(11,188)
Realized (loss) gain on derivative instruments	18	**(9,296)**	(2,257)	**(14,848)**	(3,333)
		26,723	8,794	**36,848**	19,156
Other income		**239**	80	**428**	133
EXPENSES					
Operating	15	**11,191**	9,154	**21,266**	18,973
General and administrative	16	**1,945**	1,273	**3,924**	2,901
Depletion and depreciation	5	**6,061**	5,799	**11,540**	11,608
Exploration and evaluation	4	**638**	108	**816**	239
Depreciation on right-of-use assets	6	**497**	458	**952**	969
Gain on property dispositions		**—**	(66)	**(20)**	(197)
Loss (gain) on warrant liability	8	**(1,372)**	342	**3,429**	1,714
Impairment reversal	4,5	**(2,671)**	(35,000)	**(17,671)**	(35,000)
Loss (gain) on foreign exchange		**2,453**	(1,070)	**1,363**	(2,042)
Change in other liabilities		**83**	108	**126**	108
Finance costs	17	**4,251**	3,759	**8,303**	7,513
Transaction, restructuring and other costs		**(2)**	—	**1,257**	—
Total expenses – net		**23,074**	(15,135)	**35,285**	6,786
Net earnings before taxes		**3,888**	24,009	**1,991**	12,503
Current tax		**—**	14	**—**	14
Net earnings		**3,888**	23,995	**1,991**	12,489
Other comprehensive (loss) earnings					
Items that may be reclassified to net income:					
Foreign currency translation adjustment		**(221)**	100	**(119)**	185
Items that will not be reclassified to net income:					
Actuarial gain on employee post-retirement benefit plan		**69**	—	**69**	—
Total other comprehensive (loss) earnings		**(152)**	100	**(50)**	185
Comprehensive earnings		**3,736**	24,095	**1,941**	12,674
Net earnings per share					
Basic	11	**0.03**	0.19	**0.02**	0.09
Diluted	11	**0.02**	0.16	**0.01**	0.07

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) (UNAUDITED)

($000s)	Note	Share Capital Amount	Contributed Surplus	Accumulated Deficit	AOCI	Total Equity (Deficit)
Balance at December 31, 2021		101,421	38,772	(207,227)	474	(66,560)
Share issuance costs	11	**(1)**	**—**	**—**	**—**	**(1)**
Share-based compensation	12	**—**	**112**	**—**	**—**	**112**
Settlement of share-based compensation, net of withholding tax	11	**122**	**(70)**	**—**	**—**	**52**
Actuarial gain on post-retirement benefit plan		**—**	**—**	**—**	**69**	**69**
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**(119)**	**(119)**
Net earnings		**—**	**—**	**1,991**	**—**	**1,991**
Balance at June 30, 2022		**101,542**	**38,814**	**(205,236)**	**424**	**(64,456)**

($000s)	Share Capital Amount	Contributed Surplus	Accumulated Deficit	AOCI	Total Equity (Deficit)
Balance at December 31, 2020	136,534	3,662	(217,645)	539	(76,910)
Share issuance costs	(3)	—	—	—	(3)
Share cancellation	(35,372)	35,372	—	—	—
Share-based compensation	—	55	—	—	55
Settlement of share-based compensation, net of withholding tax	220	(231)	—	—	(11)
Purchase of common shares for DSU settlement	(19)	—	—	—	(19)
Exchange differences on translation of foreign operations	—	—	—	185	185
Net earnings	—	—	12,489	—	12,489
Balance at June 30, 2021	101,360	38,858	(205,156)	724	(64,214)

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($000s)	Note	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
OPERATING ACTIVITIES					
Net earnings		3,888	23,995	1,991	12,489
Adjustments for non-cash items:					
Impairment reversal	4,5	(2,671)	(35,000)	(17,671)	(35,000)
Unrealized loss (gain) on derivative instruments	18	(4,061)	6,884	6,057	11,188
Depletion and depreciation	5	6,061	5,799	11,540	11,608
Depreciation on right-of-use asset	6	497	458	952	969
Exploration and evaluation expense	4	638	108	816	239
Accretion and non-cash financing charges	17	1,907	2,176	4,162	4,291
Unrealized foreign exchange loss (gain)		2,403	(1,056)	1,310	(1,963)
Change in other liabilities		83	108	126	108
Gain on sale of properties		—	(66)	(20)	(197)
Loss (gain) on warrant liability	8	(1,372)	342	3,429	1,714
Share-based compensation	12	94	39	109	58
Non-cash other income	10	(239)	—	(428)	—
Settlements of decommissioning liabilities	10	(302)	(115)	(2,426)	(240)
Deferred interest on Senior Notes and Revolving Facility	7,17	963	481	1,498	868
Other, net		(106)	(83)	(71)	(49)
Change in non-cash working capital	13	(850)	(3,300)	(1,972)	(696)
Net cash from operating activities		6,933	770	9,402	5,387
FINANCING ACTIVITIES					
Issuance costs		(12)	—	(12)	(1)
Settlement of share-based compensation, including withholding tax and net of proceeds	11	55	(21)	52	(30)
Lease payments	9	(584)	(748)	(1,227)	(1,472)
Change in Revolving Facility borrowings	7,13	2,008	1,163	4,428	(1,441)
Change in non-cash working capital	13	200	300	500	600
Net cash (used in) from financing activities		1,667	694	3,741	(2,344)
INVESTING ACTIVITIES					
Exploration and evaluation expenditures	4	(27)	(30)	(155)	(351)
Property and equipment expenditures	5	(2,824)	(1,889)	(10,152)	(6,094)
Asset disposition (net of acquisition)		—	(193)	20	(91)
Change in non-cash working capital	13	(5,118)	(506)	(2,170)	501
Net cash used in investing activities		(7,969)	(2,618)	(12,457)	(6,035)
Change in cash and restricted cash		631	(1,154)	686	(2,992)
Cash and restricted cash, beginning of period		6,238	7,038	6,183	8,876
Cash and restricted cash, end of period		6,869	5,884	6,869	5,884

See accompanying notes to condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2022 and 2021

1. REPORTING ENTITY

Prairie Provident Resources Inc. ("PPR" or the "Company") was incorporated under the laws of the province of Alberta on July 29, 2016. Its principal office is located at 640 – 5th Avenue S.W., Calgary, Alberta. The Company's common shares are listed on the Toronto Stock Exchange under the symbol "PPR".

PPR is an independent oil and natural gas exploration, development and production company. PPR's reserves, producing properties and exploration prospects are located primarily in the province of Alberta. The Company conducts certain of its operating activities jointly with others through unincorporated joint arrangements and these condensed interim consolidated financial statements reflect only the Company's share of assets, liabilities, revenues and expenses under these arrangements. The Company conducts all of its principal business in one reportable segment.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*.

The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of PPR as at and for the years ended December 31, 2021 and 2020 and the notes thereto (the "Annual Financial Statements"). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

The Interim Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors of PPR on August 5, 2022.

(b) Basis of measurement

The Interim Financial Statements have been prepared on the historical cost basis except for except for those presented at fair value as detailed in the accounting policies disclosed in Note 3 "Significant Accounting Policies and Changes in Accounting Policies" of the Annual Financial Statements.

(c) Functional and Presentation Currency

The Interim Financial Statements are presented in Canadian dollars (CAD), which is also the Company's functional currency. All references to US$ or USD are to United States dollars.

(d) Use of Estimates and Judgments

The preparation of Interim Financial Statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are outlined in the Annual Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The Company's significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statements.

4. EXPLORATION AND EVALUATION ASSETS

($000s)	
Cost Balance – December 31, 2021	62,614
Additions	**155**
Adjustments due to change in estimates in decommissioning liabilities (Note 10)	**(214)**
Exploration and evaluation expense	**(816)**
Cost Balance – June 30, 2022	**61,739**
Provision for impairment – beginning of year	(58,270)
Impairment recovery	**214**
Provision for impairment – June 30, 2022	**(58,056)**
Net book value – December 31, 2021	4,344
Net book value – June 30, 2022	**3,683**

Exploration and evaluation ("E&E") assets consist of the Company's undeveloped land and exploration and pilot projects which are pending the determination of proved or probable reserves.

During the three and six months ended June 30, 2022, PPR recognized $0.6 million and $0.8 million, respectively, (June 30, 2021 - $0.1 million and $0.2 million, respectively) of E&E expense related to surrendered or expired leases and derecognized seismic in various areas. PPR did not capitalize any directly attributable general and administrative expenses or share-based compensation to E&E assets during the three and six months ended June 30, 2022 (June 30, 2021 - $nil).

As at June 30, 2022, the Company assessed its E&E assets for indicators of impairment and did not note any indicators of impairment or impairment reversal that resulted in the need to perform impairment tests as at June 30, 2022. During the three and six months ended June 30, 2022, PPR recognized non-cash E&E impairment recovery of $0.2 million (June 30, 2021 - $nil) related to changes in estimates of decommissioning liabilities on exploration projects that had nil carrying value.

5. PROPERTY AND EQUIPMENT

($000s)	Production and Development	Office Equipment	Total
Cost:			
Balance – December 31, 2021	675,115	4,810	679,925
Additions	10,214	101	10,315
Adjustments due to change in estimates in decommissioning liabilities (Note 10)	(8,796)	—	(8,796)
Balance – June 30, 2022	676,533	4,911	681,444
Accumulated impairment, depletion and depreciation:			
Balance – December 31, 2021	(469,770)	(4,339)	(474,109)
Depletion and depreciation	(11,489)	(88)	(11,577)
Impairment reversal	17,457	—	17,457
Balance – June 30, 2022	(463,802)	(4,427)	(468,229)
Net book value – December 31, 2021	205,345	471	205,816
Net book value – June 30, 2022	212,731	484	213,215

(a) Capitalization of General and Administrative and Share-Based Compensation Expenses

During the three and six months ended June 30, 2022, $0.3 million and $0.6 million, respectively, (June 30, 2021 - $0.2 million and $0.3 million, respectively) of directly attributable general and administrative expenses, including a nominal amount (June 30, 2021 - nominal) of share-based compensation expenses, were capitalized to property and equipment.

(b) Impairment (Reversal) Loss

As at June 30, 2022, the Company assessed its production and development assets for indicators of impairment or impairment recovery and did not note any indicators.

During the three and six months ended June 30, 2022, PPR recognized non-cash impairment recovery of $2.5 million (June 30, 2021 - $nil) related to changes in decommissioning liabilities of certain properties that had a zero carrying value.

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 related to the Evi CGU. PPR conducted a test for impairment reversal and determined that the recoverable amount exceeded the carrying amount for the Evi CGU, resulting in the recognition of $15.0 million of impairment reversal in the period. The recoverable amount of the Evi CGU was determined based on the fair value less costs of disposal ("FVLCD") and is a non-recurring fair value measurements which is classified as level 3 in the fair value hierarchy (see Note 3(g) of the Annual Financial Statements for information on fair value hierarchy) as certain key assumptions are not based on observable market data but rather the Company's best estimate. In estimating the FVLCD, PPR considered the net present value of after-tax cash flows from reserves based on an independent reserves evaluation report prepared as at December 31, 2021 (updated to account for operations between December 31, 2021 and March 31, 2022 and for changes in forecast commodity prices, as published by our independent reserves evaluator, Sproule Associates Limited), and applying a discount rate of 17%. Calculation of recoverable amounts are subject to the use of estimates and judgements (see note 2(d) - Use of Estimates and Judgments in the Annual Financial Statements).

The recoverable amounts at March 31, 2022 were calculated using the following benchmark prices and assumptions, based on the forecast provided by our independent reserves evaluator:

	WTI ($US/bbl)	Edmonton Light ($CAD/bbl)	AECO ($CAD/ MMBtu)	Exchange rate ($US equals, $1CAD)	Inflation rate
2022	93.00	114.38	5.13	0.80	— %
2023	83.00	100.00	4.29	0.80	2 %
2024	73.00	86.25	3.02	0.80	2 %
2025	74.46	87.98	3.08	0.80	2 %
2026	75.95	89.73	3.14	0.80	2 %
2027	77.47	91.53	3.21	0.80	2 %
2028	79.02	93.36	3.27	0.80	2 %
2029	80.60	95.23	3.34	0.80	2 %
2030	82.21	97.13	3.40	0.80	2 %
2031	83.85	99.07	3.47	0.80	2 %
2032	85.53	101.06	3.54	0.80	2 %
Thereafter (inflation percentage)	2%	2%	2%	0.80	2 %

The following table summarizes the recoverable amount and impairment reversal at March 31, 2022:

CGU ***($000s)***	**Recoverable Amount**	**Impairment Reversal**
Evi	**90,269**	**15,000**

6. RIGHT-OF-USE ASSETS

($000s)	**Office Leases**	**Facility Lease**	**Other Leases**	**Total**
Cost:				
Balance – December 31, 2021	1,924	6,687	521	9,132
Additions and adjustments	**—**	**—**	**92**	**92**
Derecognition	**—**	**—**	**(122)**	**(122)**
Balance – June 30, 2022	**1,924**	**6,687**	**491**	**9,102**
Accumulated depreciation:				
Balance – December 31, 2021	(1,427)	(4,815)	(309)	(6,551)
Depreciation	**(123)**	**(802)**	**(27)**	**(952)**
Balance – June 30, 2022	**(1,550)**	**(5,617)**	**(336)**	**(7,503)**
Net book value – December 31, 2021	497	1,872	212	2,581
Net book value – June 30, 2022	**374**	**1,070**	**155**	**1,599**

7. BANK DEBT

($000s)	June 30, 2022	December 31, 2021
Revolving Facility		
USD Advances (US$20.5 million (December 31, 2021 - US$17.0 million))[1]	26,417	21,553
CAD Advances (US$30.0 million (December 31, 2021 - US$30.0 million))[2]	40,530	40,530
CAD Deferred Interest (US$0.4 million (December 31, 2021 - US$0.4 million))[2]	541	541
Total principal and deferred - Revolving Facility	67,488	62,624
Senior Notes Issued October 31, 2017		
Principal (US$16.0 million)[1]	20,618	20,285
Deferred interest (US$4.6 million (December 31, 2021 - US$4.4 million))[1]	5,969	5,587
Total Principal and Deferred Interest - October 31, 2017 Senior Notes	26,587	25,872
Senior Notes Issued November 21, 2018		
Principal (US$12.5 million)[1]	16,108	15,848
Deferred interest (US$2.8 million (December 31, 2021 - US$2.6 million))[1]	3,596	3,324
Total Principal and Deferred Interest - November 21, 2018 Senior Notes	19,704	19,172
Senior Notes Issued December 21, 2020		
Principal (US$11.4 million)[1]	14,676	14,438
Deferred interest (US$2.3 million (December 31, 2021 - US$1.5 million))[1]	2,906	1,866
Total Principal and Deferred Interest - December 21, 2020 Senior Notes	17,582	16,304
Total Principal and Deferred Interest - Senior Notes	63,873	61,348
Unamortized deferred financing fees	(301)	(389)
Unamortized value allocated to warrant liability	(319)	(330)
Unamortized value allocated to fair value adjustment	(11,367)	(13,898)
Bank debt	119,374	109,355
Bank debt due within one year	1,162	—
Bank debt due beyond one year	118,212	109,355

[1] Converted using the month end exchange rate of $1.00 USD to $1.29 CAD as at June 30, 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.

(a) Revolving Facility

PPR's senior secured revolving note facility (the "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. As at June 30, 2022, the Company had US$2.9 million (CAN$3.7 million equivalent) borrowing capacity under the Revolving Facility.

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.

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 June 30, 2022, PPR had outstanding letters of credit of $4.2 million (December 31, 2021 – $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 instruments with maturity dates of one year or less when purchased (see Note 18).

As at June 30, 2022, $0.3 million of deferred costs related to the Revolving Facility was netted against its carrying value (December 31, 2021 – $0.4 million).

(b) Subordinated Senior Notes

On December 29, 2021, PPR amended its agreements for senior notes originally issued on October 31, 2017 and November 21, 2018 and having original principal amount of US$28.5 million (the "2024 Notes"). Under the amendments, the maturity date of the 2024 Notes was extended from June 30, 2023 to June 30, 2024. Under a previous amendment to the 2024 Notes made effective 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 additional US$11.4 million original principal amount senior notes due December 21, 2026 (the "2026 Notes") and collectively with the 2024 Notes (the "Senior Notes") (CAN$14.7 million using the June 30, 2022, month-end exchange rate of $1.00 USD to $1.29 CAD) bearing interest at 12% per annum. Net proceeds from the issuance of the 2026 Notes were applied against borrowings under the Revolving Facility upon issuance.

Interest on the Senior Notes is payable quarterly. The Senior Notes agreements provide that so long as any indebtedness remains outstanding under the Revolving Facility, PPR may elect to defer cash payment of 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.

PPR accounted for the December 29, 2021 amendments to the 2024 Notes 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.

The note purchase agreements for the Revolving Facility and the Senior Note include the same financial covenants, with 15% less restrictive thresholds under the Senior Note agreements.

(c) Covenants

The applicable financial covenants thresholds as at June 30, 2022 are as follows:

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement	As at June 30, 2022
Senior Leverage[1]	Cannot exceed 6.36 to 1.00	Cannot exceed 7.31 to 1.00	2.14 to 1.00
Asset Coverage[2]	Cannot be less than 0.37 to 1.00	Cannot be less than 0.31 to 1.00	1.79 to 1.00
Current Ratio[3]	Cannot be less than 1.00 to 1.00	Cannot be less than 0.85 to 1.00	1.40 to 1.00

[1] Under the debt agreements, the Senior Leverage ratio is the ratio of Senior Adjusted Indebtedness (defined herein) to EBITDAX (defined herein) 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. EBITDAX is defined as 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 (“pro-forma adjustments”).
[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 (as defined above).
[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 excludes 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 6.28 to 1.00	Cannot exceed between 3.00 and 7.22 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 June 30, 2022.

8. WARRANT LIABILITY

	Warrants Expiring December 21, 2028	
	Number of Warrants *(000s)*	**Amount *($000s)***
Balance – December 31, 2021	34,292	4,115
Fair value adjustment	—	3,429
Balance – June 30, 2022	**34,292**	**7,544**

The outstanding warrants issued in December 2020 were 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 earnings and comprehensive earnings. The fair value of these warrants is determined using the Black-Scholes option valuation model. These warrants are exercisable any time and thus the value of these warrants is presented as current liability in the consolidated statement of financial position.

The fair value of the warrants as at June 30, 2022 was $0.22 per warrant and was estimated using the following assumptions:

June 30, 2022	**Warrants Expiring December 21, 2028**
Risk-free interest rate	3.15%
Exercise price	$0.0192
Expected life of options (years)	6.4
Expected volatility	165.1%
Stock price at June 30, 2022	$0.22
Dividends per share	—

9. LEASE LIABILITIES

($000s)	
Opening balance – December 31, 2021	2,858
Additions and adjustments	(43)
Finance expense	115
Lease payments	(1,227)
Ending balance – June 30, 2022	1,703
Less: current portion	1,550
Ending balance – long-term portion	153

The expense recognized for variable lease payments (net of variable sublease income) excluded in the measure of lease liabilities during the three and six months ended June 30, 2022 were $nil and $0.09 million recovery, respectively, (2021 – a nominal amount and $0.04 million, respectively).

The following table details the undiscounted cash flows of PPR's lease obligations, as at June 30, 2022:

($000s)	Under 1 Year	1-3 Years	4-5 years	Beyond 5 years	Total Contractual Cash Flows	Carrying Amount
Lease obligations	1,647	105	12	54	1,818	1,703

10. DECOMMISSIONING LIABILITIES

($000s)	
Total Balance – December 31, 2021	146,332
Liabilities incurred	160
Government grants	(428)
Settlements	(2,426)
Change in estimates	(9,010)
Accretion of decommissioning liabilities	1,205
Total Balance – June 30, 2022	135,833
Comprised of:	
Current portion – June 30, 2022	4,000
Long-term portion – June 30, 2022	131,833
Current portion – December 31, 2021	4,000
Long-term portion – December 31, 2021	142,332

The Company estimated the undiscounted and inflated total future liabilities to be approximately $254.3 million (December 31, 2021 – $245.9 million). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 34 years, of which $18.0 million is estimated to be incurred over the next five years.

Decommissioning liabilities at June 30, 2022 were determined using risk-free rates of 1.61% - 2.23% (December 31, 2021 – 0.72% - 1.88%) and an inflation rate of 1.7% (December 31, 2021 – 1.6%).

As of June 30, 2022, the change in estimates of $9.0 million is comprised of a $13.7 million decrease resulting from higher risk free discount rates which were partially offset by a $4.7 million increase resulting from a higher inflation rate and other cost adjustments.

During the three and six months ended June 30, 2022, PPR recognized $0.2 million and $0.4 million, respectively (2021 - $0.1 million) of non-cash other income and a reduction of decommissioning liabilities related to government grants under the Government of Alberta's Site Rehabilitation Program.

11. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares.

(b) Units Outstanding

Common shares:	Number of Shares *(000s)*	Amount *($000s)*
PPR Shares, December 31, 2021	128,725	101,421
Share issuance costs	—	(1)
Issued for restricted share unit ("RSU") and Options settlements	948	164
Withholding taxes on RSU settlements	—	(42)
PPR Shares, June 30, 2022	**129,673**	**101,542**

(c) Earnings per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
(000s)	2022	2021	2022	2021
Net earnings for the period	3,888	23,995	1,991	12,489
Weighted average number of common shares				
Basic	129,015	128,176	128,940	145,554
Diluted	164,439	154,725	163,631	170,589
Basic net earnings per share	$0.03	$0.19	$0.02	$0.09
Diluted net earnings per share	$0.02	$0.16	$0.01	$0.07

In calculating the weighted-average number of diluted common shares outstanding for each of the three and six months ended June 30, 2022, 1.2 million options were excluded from the diluted weighted average shares calculation (June 30, 2021 – 3.4 million) as they were anti-dilutive and 1.1 million deferred restricted share units ("DSU") were excluded as they cannot be settled through the issuance of common shares from treasury (June 30, 2021 – 1.4 million).

12. SHARE-BASED COMPENSATION

(a) Stock Options

The following table summarizes the stock options outstanding and exercisable under the plan:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2021	3,401,015	$0.24
Granted	1,210,000	$0.28
Exercised	(732,237)	$0.13
Forfeited or expired	(1,056,988)	$0.54
Balance – June 30, 2022	2,821,790	$0.17
Exercisable at June 30, 2022	703,495	$0.12

The weighted average fair value of options granted in 2022 of $0.21 was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions and resulting fair value:

Exercise price of option	$0.28
Risk free interest rate	2.4%
Expected life of options (years)	3.1
Expected volatility	164.8%
Estimated forfeiture rate	3.0%
Dividend per share	—
Number of options granted	1,210,000

	Options Outstanding			**Options Exercisable**	
Year of Grant	**Number Outstanding**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
2019	270,774	$0.21	1.6	270,774	$0.21
2020	371,016	$0.05	2.6	232,721	$0.05
2021	1,000,000	$0.08	4.1	200,000	$0.07
2022	1,180,000	$0.28	4.8	—	$0.28
Total	2,821,790	$0.17	3.9	703,495	$0.12

(b) Deferred Restricted Share Units

The following table summarizes the DSUs outstanding under the plan:

	DSUs
Balance – December 31, 2021 and June 30, 2022	1,880,268

(c) Restricted Share Units

The following table summarizes the DSUs outstanding under the plan:

	RSUs
Balance – December 31, 2021	1,474,263
Granted	**975,000**
Settled	**(416,464)**
Forfeited	**(233,910)**
Balance – June 30, 2022	**1,798,889**

The weighted average fair value at the grant date for the RSUs awarded in 2022 was $0.26 per unit.

(d) Share-based compensation expense

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	2022	2021	2022	2021
Shared-based compensation expense:				
Gross share-based compensation	94	28	112	55
(Capitalized) during the period	—	11	(3)	3
Share-based compensation expense	94	39	109	58

13. SUPPLEMENTAL INFORMATION

(a) Cash Flow Presentation

Changes in non-cash working capital and interest paid are summarized:

($000s)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Source (use) of cash:				
Accounts receivable	(1,453)	(559)	(4,541)	(1,070)
Prepaid expenses and other current assets	(857)	(1,240)	(555)	(1,038)
Accounts payable and accrued liabilities	(3,452)	(1,710)	1,459	2,508
Foreign exchange on translation	(6)	3	(5)	5
	(5,768)	(3,506)	(3,642)	405
Related to operating activities	(850)	(3,300)	(1,972)	(696)
Related to financing activities	200	300	500	600
Related to investing activities	(5,118)	(506)	(2,170)	501
	(5,768)	(3,506)	(3,642)	405
Other:				
Interest paid during the period	1,241	1,157	2,186	2,724

(b) Financial Liabilities Reconciliation

Changes in liabilities arising from financing activities:

	Revolving Facility	Senior Notes
Balance – December 31, 2021	62,235	47,120
Changes in cash flows	4,428	—
Deferred interest	—	1,498
Debt issuance costs	(11)	—
Non-cash changes		
Unrealized foreign exchange loss	436	831
Amortization of debt issuance costs	99	11
Amortization of fair valuation of debt	—	2,727
Balance – June 30, 2022	**67,187**	**52,187**

14. REVENUE

($000s)	Three Months Ended June 30, 2022	2021	Six Months Ended June 30, 2022	2021
Crude oil	24,316	16,243	43,321	29,565
Heavy oil	6,393	1,038	12,112	1,583
Natural gas	6,417	2,334	10,226	4,914
Natural gas liquids	1,019	644	1,858	1,164
Oil and natural gas revenue	38,145	20,259	67,517	37,226

Included in accounts receivable at June 30, 2022 was $10.8 million (December 31, 2021 – $6.9 million related to December 2021 production) of accrued oil and natural gas sales related to June 2022 production.

15. OPERATING EXPENSE

($000s)	Three Months Ended June 30, 2022	2021	Six Months Ended June 30, 2022	2021
Lease operating expense	8,001	6,380	15,001	13,904
Transportation and processing	1,814	1,295	3,404	2,254
Production, property and carbon taxes	1,376	1,479	2,861	2,815
Operating expense	11,191	9,154	21,266	18,973

16. GENERAL AND ADMINISTRATIVE COSTS

($000s)	Three Months Ended June 30, 2022	2021	Six Months Ended June 30, 2022	2021
Salaries and benefits	1,232	915	2,597	1,811
Share-based compensation	94	28	112	55
Office rents and leases	34	190	46	424
Professional fees	554	258	1,129	1,021
Other – office	319	38	610	(68)
	2,233	1,429	4,494	3,243
Amounts capitalized to PP&E and E&E assets and Other	(288)	(156)	(570)	(342)
General and administrative expense	1,945	1,273	3,924	2,901

During three and six months ended June 30, 2021, PPR qualified for $0.2 million and $0.4 million of government grants under the Canada Emergency Wage Subsidy and the Canadian Emergency Rent Subsidy ("CEWS") programs, which were recognized as reductions in general and administrative expenses in the "Other - office" category. The program ended in October 2021 and as such, PPR did not qualify for any grants under the CEWS program in 2022.

17. FINANCE COSTS

	Three Months Ended June 30,		Six Months Ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Interest expense	**1,382**	1,102	**2,643**	2,354
Deferred interest expense[1]	**963**	481	**1,498**	868
Non-cash interest on debt (fair valuation and warrant liabilities)	**1,202**	1,542	**2,738**	3,023
Amortization of financing costs	**50**	86	**99**	173
Non-cash interest on lease (Note 9)	**51**	123	**115**	247
Accretion – decommissioning liabilities (Note 10)	**601**	423	**1,205**	844
Accretion – other liabilities	**2**	2	**5**	4
Finance cost	**4,251**	3,759	**8,303**	7,513

[1] 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.

18. FINANCIAL INSTRUMENTS, FAIR VALUES AND RISK MANAGEMENT

(a) Fair Value of Financial Instruments

During the periods ended June 30, 2022 and 2021, there were no transfers among Levels 1, 2 and 3 of fair value hierarchy.

(b) Risk Management

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable from joint operators and oil and natural gas marketers.

Cash and Restricted Cash

The Company limits its exposure to credit risk related to cash by depositing its excess cash only with financial institutions that have investment grade credit ratings. As of June 30, 2022, restricted cash included $4.3 million of guaranteed investment certificates with maturity dates of one year or less (December 31, 2021 – $4.3 million).

Accounts Receivable

Credit risk is typically considered to be low for the Company's accounts receivables pertaining to oil and natural gas marketing sales and derivative receivables due to PPR's processes for selecting credit-worthy counterparties and continuously monitoring its credit exposure. The remaining credit exposures relate primarily to receivables from joint venture partners. Credit risk related to joint venture receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring expenses on behalf of joint venture partners. PPR has the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

($000s)	**June 30, 2022**	December 31, 2021
Oil and natural gas marketing companies	**11,374**	7,435
Joint venture partners	**1,750**	928
Other	**732**	952
Total accounts receivable	**13,856**	9,315

The Company's accounts receivable are aged as follows:

($000s)	June 30, 2022	December 31, 2021
Current (less than 90 days)	13,753	8,993
Past due (more than 90 days)	103	322
Total	13,856	9,315

PPR's allowance for doubtful accounts was $0.02 million as at June 30, 2022 (December 31, 2021 – $0.03 million). When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

Derivatives

PPR executes its derivative contracts with credit-worthy counterparties believed to have low credit risk. As of June 30, 2022, all of the derivative counterparties have entered inter-creditor agreements with the Company's lender to eliminate the need to post any collateral.

The following is a summary of PPR's financial assets and financial liabilities that were subject to offsetting as at June 30, 2022 and December 31, 2021. The net asset amounts represent the maximum exposure to credit risk for derivative instruments at each reporting date.

June 30, 2022 *($000s)*	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments liabilities	(13,996)	67	(13,929)
Long-term:			
Derivative instruments liabilities – long-term	(3,308)	1,875	(1,433)

December 31, 2021 *($000s)*	Gross Assets (Liabilities)	Amount Offset Gross Assets (Liabilities)	Net Amount Presented
Current:			
Derivative instruments liabilities	(9,224)	606	(8,618)
Long-term:			
Derivative instruments liabilities – long-term	(950)	264	(686)

(ii) Liquidity Risk & Capital Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company addresses its liquidity risk through its capital management of cash, working capital, credit facility capacity, equity issuance along with its planned capital expenditure program. As outlined in Note 7, at June 30, 2022, the Company had US$2.9 million borrowing capacity under the Revolving Facility.

During the fourth quarter of 2021, PPR renewed its credit facilities with its lender which included extensions in maturity dates of its Revolving Facility and its 2024 Notes.

PPR anticipates its future development to be funded primarily with cash flows from operations. The Company has determined that its current financial obligations, including current commitments, will be adequately funded from the available borrowing capacity, cash flows from operating activities and working capital derived from operations. Except for the long-term portion of derivative financial instruments, long-term lease liabilities, long-term other liabilities and long-term debt, all of the Company's financial liabilities are due within one year.

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, borrowing 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. In light of continued uncertainty in the macroeconomic environment, PPR's short-term capital management objective is to fund its capital expenditures necessary for the replacement of production declines using primarily cash flow from operating activities. Value-creating activities may be financed with a combination of cash flow from operating activities and other sources of capital.

PPR monitors its capital structure using the ratio of Senior Leverage (as defined in Note 7) to trailing twelve months' EBITDAX (as defined in Note 7). Senior Leverage to 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. As June 30, 2022, the Senior Leverage ratio was 2.14 to 1.00, significantly lower than the required threshold.

(iii) Commodity Price Risk

PPR enters into derivative instruments to manage its exposure to commodity price risk caused by fluctuations in commodity prices, which have served to protect and provide certainty on a portion of the Company's cash flows. The following lists the fair value of all derivative contracts by commodity type in place at the following balance sheet dates:

June 30, 2022	**Crude Oil**	**Natural Gas**	**Total**
($000s)			
Derivative instruments – current liabilities	**(10,980)**	**(2,949)**	**(13,929)**
Derivative instruments – long-term liabilities	**(897)**	**(536)**	**(1,433)**
Total Liabilities	**(11,877)**	**(3,485)**	**(15,362)**

December 31, 2021	Crude Oil	Natural Gas	Total
($000s)			
Derivative instruments – current liabilities	(7,815)	(803)	(8,618)
Derivative instruments – long-term liabilities	(364)	(322)	(686)
Total Liabilities	(8,179)	(1,125)	(9,304)

The following shows the breakdown of realized and unrealized gains and losses recognized by commodity type for the three and six months ended June 30, 2022 and 2021:

Three Months Ended June 30, 2022	Crude Oil	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(7,680)	(1,616)	(9,296)
Unrealized gain on derivative instruments	3,302	759	4,061
Total loss	(4,378)	(857)	(5,235)

Three Months Ended June 30, 2021	Crude Oil	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(2,107)	(150)	(2,257)
Unrealized loss on derivative instruments	(5,783)	(1,101)	(6,884)
Total loss	(7,890)	(1,251)	(9,141)

Six months ended June 30, 2022	Crude Oil	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(12,889)	(1,959)	(14,848)
Unrealized loss on derivative instruments	(3,699)	(2,358)	(6,057)
Total loss	(16,588)	(4,317)	(20,905)

Six months ended June 30, 2021	Crude Oil	Natural Gas	Total
($000s)			
Realized loss on derivative instruments	(3,049)	(284)	(3,333)
Unrealized loss on derivative instruments	(10,085)	(1,103)	(11,188)
Total loss	(13,134)	(1,387)	(14,521)

The following table summarizes commodity derivative transactions as at June 30, 2022:

Remaining Term	Reference	Total Daily Volume (bbl)	Premium/bbl	Weighted Average Price/bbl
Crude Oil Put Options				
July 01, 2022 - December 31, 2022	US$ WTI	300	\$2.90[1]	\$80.00
Crude Oil Put Spread Options (No Ceiling)				
January 01, 2023 - March 31, 2023	US$ WTI	1,100	\$3.50[1]	\$40.00/50.00
April 01, 2023 - June 30, 2023	US$ WTI	1,050	\$3.75[1]	\$40.00/50.00
July 01, 2023 - December 31, 2023	US$ WTI	600	\$4.20[1]	\$55.00/65.00
January 01, 2024 - March 31, 2024	US$ WTI	1,000	\$3.95[1]	\$50.00/60.00
Crude Oil Three-way Collars				
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

[1] Deferred premiums, payable upon settlement of the derivative contracts.

Remaining Term	Reference	Total Daily Volume (MMBtu)	Weighted Average Price/ MMBtu
Natural Gas Three-way Collars			
July 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