Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2022

Dated: November 9, 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 provides management's analysis of the Company's results from operations, financial position and outlook as at and for the three and nine months ended September 30, 2022. This MD&A is dated November 9, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 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

($000s except per unit amounts)	Three Months Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
Production Volumes				
Light & medium crude oil (bbl/d)	1,965	2,261	1,944	2,408
Heavy crude oil (bbl/d)	535	384	638	228
Conventional natural gas (Mcf/d)	8,857	8,986	8,869	8,783
Natural gas liquids (bbl/d)	120	131	120	133
Total (boe/d)	4,096	4,273	4,180	4,234
% Liquids	64%	65%	65%	65%
Average Realized Prices				
Light & medium crude oil ($/bbl)	102.39	76.12	116.51	69.06
Heavy crude oil ($/bbl)	113.51	71.78	101.62	66.18
Conventional natural gas ($/Mcf)	4.27	3.69	5.66	3.32
Natural gas liquids ($/bbl)	77.99	59.16	83.00	51.70
Total ($/boe)	75.47	56.30	84.09	51.35
Operating Netback ($/boe)[1]				
Realized price	75.47	56.30	84.09	51.35
Royalties	(14.15)	(6.89)	(13.23)	(5.41)
Operating costs	(31.36)	(25.69)	(28.99)	(25.15)
Operating netback	29.96	23.72	41.87	20.79
Realized losses on derivatives	(16.86)	(5.79)	(18.58)	(4.85)
Operating netback, after realized losses on derivatives	13.10	17.93	23.29	15.94

Third Quarter 2022 Financial & Operating Highlights

- Production averaged 4,096 boe/d (64% liquids) in the third quarter of 2022, a 4% or 177 boe/d decrease from the same period in 2021, primarily driven by natural declines from the prior year, partially offset by production from our successful drilling program. Average production for the nine months ended September 30, 2022 decreased by 54 boe/d compared to 2021 as a result of production from the capital program, including two (2.0 net) Michichi and one Princess (1.0 net) wells drilled in 2022 that came on production in early March and mid September respectively, offset by natural declines.

- Operating netback[1] before the impact of realized losses on derivatives was $11.3 million ($29.96/boe) for the third quarter of 2022, reflecting an increase of $2.0 million or 21% from the same period in 2021. On a per boe basis it increased by $6.24/boe, while realized losses on derivatives increased by $11.07/boe, resulting in a $4.83/boe or 27% decrease in operating netback, after realized losses on derivatives.

- Adjusted funds flow ("AFF")[1], excluding $2.0 million of decommissioning settlements, was $1.8 million ($0.01 per basic and diluted share) for the third quarter of 2022, a $6.4 million or 78% decrease from the second quarter of 2022 reflecting decreased netbacks driven by lower commodity pricing and production. Compared against the same quarter in 2021, AFF decreased by $3.0 million.

- Net capital expenditures[1] in the third quarter of 2022 of $7.7 million were directed towards drilling one (1.0 net) Glauconite formation well in Princess, the optimization program and facility work in Michichi. For the nine months ended September 30, 2022, PPR incurred $18.0 million of net capital expenditures, largely funded by $16.9 million of AFF[1] (excluding decommissioning settlements).

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

Outlook

The fourth quarter will see Prairie Provident continue to focus on production optimization, operating cost reduction and inventory preparation for a continuation of the optimization program over the first half 2023. Additional details on Prairie Provident's 2022 capital program and guidance can be found on the Company's website at www.ppr.ca.

Results of Operations

Production

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Light & medium crude oil (bbl/d)	**1,965**	2,261	**1,944**	2,408
Heavy crude oil (bbl/d)	**535**	384	**638**	228
Conventional natural gas (Mcf/d)	**8,857**	8,986	**8,869**	8,783
Natural gas liquids (bbls/d)	**120**	131	**120**	133
Total (boe/d)	**4,096**	4,273	**4,180**	4,234
Liquids Weighting	**64%**	65%	**65%**	65%

Average production for the three and nine months ended September 30, 2022 was 4,096 boe/d (64% liquids) and 4,180 boe/d (65% liquids), a decrease of 4% and 1%, respectively, compared to the corresponding periods in 2021 as a result of the capital program offset by natural declines.

Two Michichi wells drilled during the first quarter of 2022 commenced medium crude oil production in early March while production from the Princess drill came on in mid-September. Oil production from the Princess area is classified as heavy crude oil resulting in the increase in heavy oil production compared to 2021.

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per unit amounts)	**2022**	2021	**2022**	2021
Revenue				
Light & medium crude oil	**18,510**	15,834	**61,831**	45,399
Heavy crude oil	**5,587**	2,536	**17,699**	4,119
Conventional natural gas	**3,481**	3,050	**13,707**	7,964
Natural gas liquids	**861**	713	**2,719**	1,877
Oil and natural gas revenue	**28,439**	22,133	**95,956**	59,359
Average Realized Prices				
Light & medium crude oil ($/bbl)	**102.39**	76.12	**116.51**	69.06
Heavy crude oil ($/bbl)	**113.51**	71.78	**101.62**	66.18
Conventional natural gas ($/Mcf)	**4.27**	3.69	**5.66**	3.32
Natural gas liquids ($/bbl)	**77.99**	59.16	**83.00**	51.70
Total ($/boe)	**75.47**	56.30	**84.09**	51.35
Benchmark Prices				
Crude oil - WTI ($/bbl)	**119.53**	88.90	**125.80**	81.10
Crude oil - Edmonton Light Sweet ($/bbl)	**116.68**	83.49	**123.31**	75.59
Crude oil - WCS ($/bbl)	**93.56**	71.77	**105.52**	65.45
Natural gas - AECO monthly index-7A ($/Mcf)	**5.82**	3.54	**5.56**	3.11
Natural gas - AECO daily index - 5A ($/Mcf)	**4.16**	3.60	**5.38**	3.27
Exchange rate - US$/CDN$	**0.77**	0.79	**0.78**	0.80

PPR's third quarter 2022 revenue increased by 28% or $6.3 million from the third quarter of 2021, driven by higher realized crude oil, natural gas and NGL prices.

Light & medium crude oil revenue for the third quarter of 2022 increased by 17%, compared to the corresponding period in 2021, due to an increase in realized light & medium crude oil prices of 35%, partially offset with a 13% decrease in light & medium crude oil production volumes. Heavy crude oil revenue increased by 120% in the third quarter of 2022, compared to the third quarter of 2021, due to an increase in heavy oil realized prices of 58%, and a 39% increase in production volumes. PPR's product prices generally correlate with changes in the benchmark prices. In the third quarter of 2022, the average WTI price increased by 34% or $30.63/bbl and the average Edmonton Light Sweet price increased by 40% or $33.19/bbl, from the average pricing in the third quarter of 2021. During the third quarter of 2022, the WCS to WTI differential was $25.97/bbl (Q3 2021 - $17.13/bbl), and the Edmonton Light Sweet to WTI differential was $2.85/bbl (Q3 2021 - $5.41/bbl).

Third quarter 2022 natural gas revenue increased by 14% or $0.4 million, compared to the same quarter in 2021, driven by a 16% increase in realized natural gas prices.

Average realized prices per boe for the third quarter of 2022 increased by 34% or $19.17/boe from the same quarter of 2021, due to the increases in the realized prices across all products.

On a year-to-date basis, revenue increased by 62% or $36.6 million, compared to the same period in 2021. The 36% increase in light & medium crude oil revenue reflected a 69% increase in realized light & medium crude oil prices, offset by a 19% decline in light & medium crude oil production volumes. A 330% increase in heavy oil revenue reflected a 54% increase in heavy oil prices, coupled with a 180% increase in heavy oil production volumes. For the nine months ended September 30, 2022, the average WTI price and the average Edmonton Light Sweet price increased by 55% or $44.70/bbl and 63% or $47.72/bbl, respectively, compared to the same period of 2021. The WCS to WTI differential was $20.28/bbl (Q3 2021 - $15.65/bbl), and the Edmonton Light Sweet to WTI differential narrowed to $2.49/bbl (Q3 2021 - $5.52/bbl). The 72% increase in natural gas revenue reflected a 70% increase in realized natural gas prices.

Averaged realized prices per boe for the nine months ended September 30, 2022 increased by 64% or $32.74/boe, compared to the same period in 2021, correlating to increases in the realized prices across all products.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Royalties	**5,333**	2,708	**15,097**	6,257
Per boe	**14.15**	6.89	**13.23**	5.41
Percentage of revenue	**18.8%**	12.2%	**15.7%**	10.5%

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 Alberta Crown, which are based on sliding scales that are dependent on incentives, production volumes and commodity prices.

Third quarter and year-to-date 2022 royalties increased by $2.6 million and $8.8 million, respectively, compared to the corresponding periods in 2021, largely due to higher commodity prices.

On a percentage of revenue basis, royalties for the three and nine months ended September 30, 2022 increased compared to the corresponding periods in 2021 due to higher commodity prices increasing the applicable royalty rate per the sliding scale.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to meet the requirements of its borrowing agreements. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
Realized loss on derivatives	**(6,355)**	(2,276)	**(21,203)**	(5,609)
Unrealized gain (loss) on derivatives	**8,200**	(2,904)	**2,143**	(14,092)
Total gain (loss) on derivatives	**1,845**	(5,180)	**(19,060)**	(19,701)

Per boe				
Realized loss on derivatives	**(16.86)**	(5.79)	**(18.58)**	(4.85)
Unrealized gain (loss) on derivatives	**21.76**	(7.39)	**1.88**	(12.19)
Total gain (loss) on derivatives	**4.90**	(13.18)	**(16.70)**	(17.04)

Realized gains and losses on derivative risk management contracts represent cash settlements while unrealized gains and losses 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 the specific terms of the contracts and fluctuations in underlying commodity reference prices.

The unrealized gains on derivatives recognized for the three and nine months ended September 30, 2022 were a result of changes to commodity price expectations for future periods relative to the underlying prices of the Company's 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 its US dollar denominated debt. Therefore, the Company has entered into commodity hedges predominantly in US dollars to maintain such economic hedges.

As at September 30, 2022, the Company held the following outstanding derivative contracts:

Remaining Term	**Reference**	**Total Daily Volume (bbl)**	**Premium/ bbl**	**Weighted Average Price/ bbl**
Crude Oil Put Options				
October 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]	$50.00/60.00
Crude Oil Three-way Collars				
October 01, 2022 - December 31, 2022	US$ 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			
October 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Lease operating expense	**8,679**	7,663	**23,680**	21,567
Transportation and processing	**1,888**	1,371	**5,292**	3,625
Production, property and carbon taxes	**1,252**	1,067	**4,113**	3,882
Total operating expenses	**11,819**	10,101	**33,085**	29,074
Per boe	**31.36**	25.69	**28.99**	25.15

During the three and nine months ended September 30, 2022, lease operating expenses increased by 13% or $1.0 million and 9% or $2.1 million, respectively, from the corresponding periods in 2021. The increase in costs relates primarily to activity associated with production adds through reactivations and well servicing activities previously deferred. As commodity prices improved, significant inflationary costs have been incurred on electricity, chemicals, materials and services.

Transportation and processing expense for the three and nine months ended September 30, 2022 increased by 38% or $0.5 million and 46% or $1.7 million, respectively, from the corresponding periods in 2021. The increase relates to higher trucking rates across more trucked volumes and is expected to decrease in the fourth quarter with facility upgrades completed, as well as further improvements in 2023 with the execution of additional facility projects.

Production, property and carbon tax expense for the three and nine months ended September 30, 2022 increased by 17% or $0.2 million and 6% or $0.2 million compared to the same periods in 2021. Increases in production taxes during the three and nine months ended September 30, 2022 compared to 2021 were attributable to higher commodity prices.

On a per boe basis, total operating expense for the three and nine months ended September 30, 2022 increased by 22% or $5.67/boe and 15% or $3.84/boe, respectively, compared to the same period in 2021. The increases were largely due to increased activity and inflationary pressure.

Operating Netback

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ per boe)	**2022**	2021	**2022**	2021
Revenue	**75.47**	56.30	**84.09**	51.35
Royalties	**(14.15)**	(6.89)	**(13.23)**	(5.41)
Operating costs	**(31.36)**	(25.69)	**(28.99)**	(25.15)
Operating netback	**29.96**	23.72	**41.87**	20.79
Realized losses on derivatives	**(16.86)**	(5.79)	**(18.58)**	(4.85)
Operating netback, after realized losses on derivatives	**13.10**	17.93	**23.29**	15.94

PPR's operating netback after realized losses on derivatives was $13.10/boe and $23.29/boe for the three and nine months ended September 30, 2022, which represents a decrease of $4.83/boe or 27% and an increase of $7.35/boe or 46%, respectively, compared with the corresponding periods of 2021.

For the three months ended September 30, 2022 the operating netback decrease was due to a $11.07/boe increase in realized losses on derivatives partially offset by a $6.24/boe increase in operating netback compared to the corresponding three-month period in 2021.

For the nine months ended September 30, 2022, the operating netback increase was due to average realized prices rising by $32.74/boe, partially offset by a $13.73/boe increase in the realized losses on derivatives, an increase in operating expenses of $3.84/boe and an increase in royalties of $7.82/boe, compared to the corresponding nine-month period in 2021.

General and Administrative Expenses ("G&A")

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Gross cash G&A expenses	**1,700**	1,253	**6,082**	4,441
Gross share-based compensation expense	**92**	(9)	**204**	46
Less amounts capitalized	**(296)**	(171)	**(866)**	(513)
Net G&A expenses	**1,496**	1,073	**5,420**	3,974
Per boe	**3.97**	2.73	**4.75**	3.44

For the three and nine months ended September 30, 2022, gross cash G&A increased by $0.4 million or 36% and $1.6 million or 37%, respectively, compared to the same periods in 2021 as PPR returned to full operations after cost cutting initiatives that were implemented in 2020 which included reductions in employee salaries and benefits. Additionally, in 2021 PPR qualified for government grants which reduced gross cash expenses.

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 timing and quantity of forfeitures. Gross stock-based compensation increased by 1122% and 343% for the three and nine months ended September 30, 2022 compared with the same periods in 2021 as additional grants were made.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. Capitalized G&A increased for the three and nine months ended September 30, 2022 by 73% and 69%, respectively, as PPR increased activity levels.

Finance Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Cash interest expense	**1,560**	1,165	**4,203**	3,519
Deferred interest expense	**1,213**	458	**2,711**	1,326
Non-cash interest on debt (fair valuation and warrant liabilities)	**1,098**	1,617	**3,836**	4,640
Amortization of financing costs	**50**	85	**149**	258
Non-cash interest on financing lease	**31**	86	**146**	333
Accretion – decommissioning liabilities	**724**	423	**1,929**	1,267
Accretion – other liabilities	**2**	2	**7**	6
Total finance cost	**4,678**	3,836	**12,981**	11,349
Interest expense (defined below) per boe	**7.36**	4.13	**6.06**	4.19
Non-cash interest and accretion expense per boe	**5.06**	5.63	**5.32**	5.63

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 total finance cost of $0.8 million and $1.6 million for the three and nine months ended September 30, 2022, as compared to the respective periods in 2021 relate to the end of an interest holiday on a portion of its Senior Notes in March of 2022 when rates rose to 4% and then in August 2022 rose to 8% per the lending agreement (see the "Capital Resources" section below for further details) and increased accretion due to higher risk-free discount rates.

The weighted average effective interest rate for the three and nine months ended September 30, 2022 was 7.0% and 6.2%, respectively (2021 – 5.3% and 5.2%, respectively).

Foreign Exchange Loss (Gain)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
Realized loss (gain) on foreign exchange	**156**	(122)	**209**	(201)
Unrealized loss (gain) on foreign exchange	**4,979**	2,227	**6,289**	264
Loss (gain) on foreign exchange	**5,135**	2,105	**6,498**	63

Foreign exchange losses incurred in the three and nine months ended September 30, 2022 related largely to the translation of US dollar denominated borrowings to CAD (see "Capital Resources and Liquidity" section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Exploration and evaluation expense	**122**	625	**938**	864
Per boe	**0.32**	1.59	**0.82**	0.75

Exploration and evaluation expenses are comprised of undeveloped land expiries, derecognized seismic and surrendered leases.

Depletion and Depreciation

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2022**	2021	**2022**	2021
Depletion and depreciation	**5,512**	5,821	**17,052**	17,429
Depreciation on right-of-use assets	**450**	308	**1,402**	1,277
Total depletion expense	**5,962**	6,129	**18,454**	18,706
Per boe	**15.82**	15.59	**16.17**	16.18

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 asset. On a per boe basis in the third quarter of 2022 depletion expense increased as a result of the impairment reversal recognized at March 31, 2022. The minor change in depletion expenses and per boe expenses during the nine months ended September 30, 2022, compared to the same periods of 2021 reflects changes in the depletable base as a result of P&D impairment reversals and changes in production levels.

Impairment Reversal

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
EVI CGU	**—**	—	**(15,000)**	(23,000)
Princess CGU	**—**	—	**—**	(12,000)
P&D impairment (reversal)	**—**	—	**(15,000)**	(35,000)
Impairment (recovery) related to changes in estimates used in decommissioning liabilities - P&D assets	**—**	601	**(2,457)**	601
Impairment (recovery) related to changes in estimates used in decommissioning liabilities - E&E assets	**—**	119	**(214)**	119
Total impairment (reversal)	**—**	720	**(17,671)**	(34,280)

As at September 30, 2022, PPR assessed its P&D assets for indicators of impairment or impairment reversal and none were noted. At March 31, 2022, as a result of increased commodity pricing, PPR completed impairment testing on its Evi cash generating unit ("CGU") and recognized an impairment reversal of $15.0 million. At June 30, 2021, as a result of increased commodity pricing, PPR completed impairment testing on its Evi and Princess CGUs and recognized impairment reversals of $23.0 million and $12.0 million in each, respectively.

During the nine months ended September 30, 2022, as a result of increasing interest rates and inflation, the Company increased the risk-free rate and inflation estimates used in determining its decommissioning obligation. The impact of the change on assets with no carrying value was $2.7 million and is recognized as impairment reversal.

PPR assessed and concluded that there were no indicators of impairment or impairment reversal against its E&E assets as at September 30, 2022.

Net (Loss) Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per share)	**2022**	2021	**2022**	2021
Net (loss) earnings	**(1,503)**	(9,922)	**488**	2,567
Per share – basic	**(0.01)**	(0.08)	**—**	0.02
Per share – diluted	**(0.01)**	(0.08)	**—**	0.02

Net loss for the third quarter of 2022 was $1.5 million, compared to $9.9 million in the same period of 2021. The $8.4 million decrease in net loss was primarily due to the increase in commodity prices offset by higher expenses and a $2.4 million decrease in the warrant liability, partially offset by higher expenses. Net earnings were $0.5 million for the first nine months of 2022, compared to $2.6 million in the same period of 2021.

Net Capital Expenditures[1,2]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
Drilling and completion	**3,820**	3,654	**10,357**	8,129
Equipment, facilities and pipelines	**3,398**	887	**6,448**	2,101
Land and seismic	**174**	29	**329**	380
Capitalized overhead and other	**317**	183	**885**	583
Total Capital Expenditures	**7,709**	4,753	**18,019**	11,193
Asset dispositions (net of acquisitions)	**(3)**	(31)	**(23)**	60
Net Capital Expenditures	**7,706**	4,722	**17,996**	11,253

[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 for the three and nine months ended September 30, 2022 were $7.7 million and $18.0 million, respectively. The Company focused its capital activities during the first nine months of 2022 in the Michichi and Princess areas where $15.3 million was incurred on facilities and to drill, complete, equip and tie-in three (3.0 net) development wells. The two Michichi wells drilled came on production in March 2022 and the Princess well came on in September 2022. PPR also spent $1.8 million on optimization in the Provost area.

Capital expenditures for the three and nine months ended September 30, 2021 were $4.7 million and $11.2 million, respectively. The Company focused its capital activities during the first nine months of 2021 in the Princess area where it incurred $5.4 million for the drilling, completion and equipping of two (2.0 net) development wells and $0.3 million on undeveloped land.

Capitalized overhead increased for the three and nine months ended September 30, 2022 as compared to the same periods in 2021 as the Company's capital program increased.

Decommissioning Liabilities

PPR’s decommissioning liabilities at September 30, 2022 were $133.2 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 $13.2 million from year-end 2021 was due to $6.3 million in work performed, including $1.9 million in government grants, and an increase in the risk-free discount rates used to present value the obligation which resulted in a $9.0 million reduction. The decrease was partially offset by additions of $0.3 million and accretion expense of $1.9 million.

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. As a result, during the nine months ending September 30, 2022 the Company recognized $2.7 million as impairment reversal.

The Company estimated the undiscounted and inflation-adjusted future liabilities of approximately $252.1 million spanning over the next 55 years, based on an inflation rate of 1.7%. Of the estimated undiscounted future liabilities, $18.0 million is estimated to be settled over the next five years. PPR expects that a portion of this spending will be covered by federal funding programs. 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 September 30, 2022, the Company had a working capital deficit (as defined in "Other Advisories" below) of $6.3 million (December 31, 2021 – $0.4 million). The decrease in working capital from December 31, 2021 resulted from increased operating activities and capital expenditures partially offset by cash from operating activities and draws against the Revolving Facility of $2.5 million.

Revolving Facility

The Company'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 date will be in Spring 2023 based on the year-end 2022 reserves evaluation.

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.

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

($000s)	September 30, 2022	December 31, 2021
USD Advances (USD $19.0 million (December 31, 2021 - USD $17.0 million))[1]	26,044	21,553
CAD Advances (USD $30.0 million (December 31, 2021 - USD $30.0 million))[2]	40,530	40,530
CAD Deferred Interest (USD $0.4 million (December 31, 2021 - USD $0.5 million)[2]	541	541
Revolving Facility (USD $49.4 million (December 31, 2021 - USD $47.4 million))	67,115	62,624

[1] Converted using the month end exchange rate of $1.00 USD to $1.37 CAD as at September 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.

The increase in borrowings from year-end 2021 was due to draws made to partially fund the Company's capital activity in 2022. As at September 30, 2022, the Company had US$4.4 million (CAN$6.0 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.

Amounts borrowed under the Revolving Facility can be drawn in the form of USD or CAD prime advances bearing interest based on reference bank USD and CAD prime lending rates announced from time to time, or LIBOR advances (in the case of USD amounts) or CDOR advances (in the case of CAD amounts) bearing interest based on LIBOR and CDOR rates in effect from time to time, plus an applicable margin. Applicable Margins per annum for CDOR, CAD prime, LIBOR and USD prime advances are 650 basis points and standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

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

Subordinate Senior Notes

The Company has issued three USD denominated subordinate senior notes for principal of $16.0 million and $12.5 million maturing June 30, 2024 ("the 2024 Notes"), and $11.4 million maturing December 21, 2026 ("the 2026 Notes"). The 2024 Notes originally bore interest at 15% per annum which was amended in December 2020 to nil until March 2022 when it increased to 4% and then to 8% in August 2022. The 2026 Notes bear interest at 12% per annum. Interest on the subordinate senior notes is payable quarterly. The agreements provide that, until certain criteria are met, including compliance with original financial covenant ratios on the Revolving Facility as at October 31, 2017 (when the facility was first implemented), the absence of any borrowing base deficiency, and a projected ability to meet any scheduled payment obligations under the Revolving Facility for the next 12-month period, PPR may elect to defer all interests due. The terms of the Revolving Facility require that the Company make this election and not pay cash interest on the subordinate senior notes until these criteria are satisfied. PPR will thereafter be permitted to elect to defer up to 4.00% per annum of interest on them. At the date of this MD&A, PPR expects to defer future interest for the respective terms of the subordinate senior notes, as required by its lenders.

The following table provides a breakdown of subordinate senior note 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 $1.37 CAD as at September 30, 2022 and $1.00 USD to $1.27 CAD as at December 31, 2021.

($000s)	September 30, 2022	December 31, 2021
Subordinate senior notes - due June 30, 2024		
Principal (US$28.5 million)	39,066	36,133
Deferred interest (US$7.4 million (December 31, 2021 - US$7.0 million))	10,882	8,911
Total Principal and Deferred Interest - due June 30, 2024	49,948	45,044
Subordinate senior notes - due December 21, 2026		
Principal (US$11.4 million)	15,610	14,438
Deferred interest (US$3.0 million (December 31, 2020 - US$2.6 million))	3,652	1,866
Total Principal and Deferred Interest - due December 21, 2026	19,262	16,304
Total Principal and Deferred Interest - Senior Notes	69,210	61,348

In conjunction with the issuance of the 2026 Notes, 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 September 30, 2022 was $6.2 million (December 31, 2021 - $4.1 million).

The 2026 Notes were initially recognized at fair value which was $3.6 million lower than the face value. The fair value was calculated using the present value of expected future cash flows, discounted at 17.5%.As a result of this accounting method, the effective interest rate will be at 17.5%, which is much higher than the coupon rates borne by the Senior Notes.

Covenants

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

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

Financial Covenant	Revolving Facility Requirement	Senior Note Requirement	As at September 30, 2022
Senior Leverage[1]	Cannot exceed 6.36 to 1.00	Cannot exceed 7.31 to 1.00	2.31 to 1.00
Asset Coverage[2]	Cannot be less than 0.37 to 1.00	Cannot be less than 0.31 to 1.00	1.59 to 1.00
Current Ratio[3]	Cannot be less than 1.00 to 1.00	Cannot be less than 0.85 to 1.00	1.01 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.

The Company was in compliance with all applicable covenants as at September 30, 2022. Refer to the Capital Management and Liquidity section below for further information.

Shareholders' Deficit

At September 30, 2022, PPR had consolidated share capital of $101.5 million (December 31, 2021 – $101.4 million) and had 130.1 million (December 31, 2021 – 128.7 million) outstanding common shares. The Company had 34.3 million warrants outstanding as at September 30, 2022 (December 31, 2021 – 34.3 million). The outstanding warrants were issued in conjunction with the debt modification and issuance of Senior Notes on December 21, 2021 and have an exercise price of $0.0192 per share and an eight-year term expiring December 21, 2028.

The table below provides information on our share-based compensation program including grants in the current year and balances outstanding as at the periods presented:

	Options[1]	RSUs	Deferred Share Units ("DSUs")
Units granted during the nine months ended September 30, 2022	**2,620,000**	**975,000**	**—**
Balance outstanding as at September 30, 2022	**4,201,790**	**1,798,889**	**965,134**
Balance outstanding as at December 31, 2021	3,401,015	1,474,263	1,880,268

1 Outstanding options as at September 30, 2022 had a weighted average strike price of $0.22 per share, of which 0.8 million were exercisable at a weighted average strike price of $0.12 per share.

Options were granted to officers and employees of the Company and vest evenly over a three-year period and expire five years after the grant date. RSUs are granted to officers and employees and vest in three tranches, with the first and second tranches vesting on the first and second anniversary of the grant date, respectively. The third tranche vests on December 15th following the vesting of the second tranche. DSUs are granted to non-management directors of the Company and 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 of the date of this MD&A, there are 130.1 million common shares, 1.8 million RSUs, 2.8 million stock options, 1.0 million DSUs, and 34.3 million outstanding warrants.

Capital Management and Liquidity

PPR's objective when managing capital is to maintain flexibility 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. At December 31, 2022, the borrowing base of the Company's Revolving Facility will be reduced by US$3.8 million to US$50.0 million. In order to provide the Company with sufficient liquidity over the next twelve months, the Company is currently in discussions with its current lenders and other potential lenders to defer the borrowing base reduction to June 30, 2023, or modify or replace the facility with a new lending agreement. At September 30, 2022 the Company's current ratio covenant was 1.01:1 compared to the required floor of 1.00:1.00. The Company anticipates being in compliance with all of its covenants in future periods; however, in the event that actual results differ from the Company's forecast, the Company will seek consent from its current lenders to waive covenant requirements as it works toward completing a refinancing transaction. There can be no assurance as to the outcome of these efforts.

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 using primarily 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. 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 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 September 30, 2022 was 2.31 to 1.00 (December 31, 2021 – 3.4 to 1.0). Management of debt levels is a priority for PPR.

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 and nine months ended September 30, 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 Q3**	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Production Volumes								
Light & medium crude oil (bbl/d)	**1,965**	2,055	1,809	2,198	2,261	2,514	2,453	2,639
Heavy crude oil (bbl/d)	**535**	590	791	492	384	179	117	163
Conventional natural gas (Mcf/d)	**8,857**	8,987	8,763	9,246	8,986	9,122	8,233	9,080
Natural gas liquids (bbl/d)	**120**	126	115	138	131	140	129	140
Total (boe/d)	**4,096**	4,269	4,175	4,369	4,273	4,354	4,071	4,455
% Liquids	**64 %**	65 %	65 %	65 %	65 %	65 %	66 %	66 %
Financial								
Oil and natural gas revenue	**28,439**	38,145	29,372	25,064	22,133	20,259	16,967	14,211
Royalties	**(5,333)**	(6,187)	(3,577)	(3,346)	(2,708)	(2,324)	(1,225)	(1,305)
Unrealized gain/ (loss) on derivatives	**8,200**	4,061	(10,118)	3,990	(2,904)	(6,884)	(4,304)	(3,917)
Realized (loss)/gain on derivatives	**(6,355)**	(9,296)	(5,552)	(3,947)	(2,276)	(2,257)	(1,076)	2,313
Revenue net of realized and unrealized gains (losses) on derivatives	**24,951**	26,723	10,125	21,761	14,245	8,794	10,362	11,302
Net earnings (loss)	**(1,503)**	3,888	(1,897)	7,851	(9,922)	23,995	(11,506)	3,130
Per share – basic	**(0.01)**	0.03	(0.01)	0.06	(0.08)	0.19	(0.07)	0.02
Per share – diluted	**(0.01)**	0.02	(0.01)	0.05	(0.08)	0.16	(0.07)	0.02
AFF [(1)]	**(213)**	7,887	4,815	1,718	4,344	4,153	1,979	1,853
Per share – basic	**0.00**	0.06	0.04	0.01	0.03	0.03	0.01	0.01
Per share – diluted	**0.00**	0.05	0.04	0.01	0.03	0.03	0.01	0.01
AFF excluding decommissioning settlements [(1)]	**1,810**	8,189	6,939	4,302	4,796	4,268	2,104	1,946
Per share – basic	**0.01**	0.06	0.05	0.03	0.04	0.03	0.01	0.01
Per share – diluted	**0.01**	0.05	0.05	0.03	0.04	0.03	0.01	0.01

[1] AFF is a non-IFRS measure and is defined below under "Other Advisories".

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 second quarter of 2021 and 2022 and the fourth quarter of 2021 and 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 excluding decommissioning settlements in all the quarters.

Third quarter 2022 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. The Company realized $1.8 million of AFF (before decommissioning settlements of $2.0 million) and a $1.5 million net loss in the third quarter of 2022 largely due to costs remaining high while commodity prices decreased.

Second quarter 2022 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 $8.2 million in AFF (before decommissioning settlements of $0.3 million) and $3.9 million of net earnings in the second quarter of 2022 due to non-cash items including $2.7 million of impairment reversal and $4.1 million in unrealized gains on derivatives, partially offset by $2.4 million of unrealized foreign exchange losses, $4.2 million in non-cash finance costs and $6.6 million of depletion and depreciation expense.

First quarter 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).

[1] Non-IFRS measure - defined below under "Other Advisories"

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 period from January 1, 2022 to September 30, 2022 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

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 in the "Risk Factors" section of the 2021 Annual Information Form filed on SEDAR at www.sedar.com and have remained unchanged during the first nine months of 2022.

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 shares and preferred shares 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 ability to meet its capital commitment;
- 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;
- the Company's ability to incur CEE;
- 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 Company's ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company's assessment of the Company'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 significant capital expenditures and 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;
- the Company's ability to successfully integrate the acquired assets;
- 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;
- the risks of conducting exploratory drilling operations in new or emerging plays;
- 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 the pending litigation against us.

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-IFRS 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. The non-IFRS measures used in this report are summarized as follows:

Working Capital

Working capital is calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The current portion of derivatives instruments is excluded as management intends to hold derivative contracts through to maturity rather than realizing the value at a point in time through liquidation. The current portion of decommissioning expenditures is excluded as these costs are discretionary and the current portion of warrant liabilities are excluded as it is a non-monetary liability. Lease liabilities have historically been excluded as they were not recorded on the balance sheet until the adoption of IFRS 16 – Leases on January 1, 2019.

The following table provides a calculation of working capital:

($000s)	**September 30, 2022**	December 31, 2021
Current assets	**21,260**	19,603
Less: current derivative instrument assets	**—**	—
Current assets excluding current derivatives instruments	**21,260**	19,603
Less: Accounts payable and accrued liabilities	**27,591**	19,970
Working capital deficit	**(6,331)**	(367)

Operating Netback

Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this report were determined by as oil and gas revenues less royalties less operating costs. Operating netback may be expressed in absolute dollar terms or on a per unit basis. Per unit amounts are determined by dividing the absolute value by gross working interest production. Operating netback after gains or losses on derivative instruments, adjusts the operating netback for only realized gains and losses on derivative instruments.

Adjusted Funds Flow ("AFF")

AFF is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR’s operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary and utilizes the measure to assess its ability to finance operating activities, capital expenditures and debt repayments. AFF as presented does not and 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.

The following table reconciles cash flow from operating activities to AFF and AFF excluding decommissioning settlements which are seasonal in nature as a significant portion of PPR's decommissioning liabilities are located in winter access only areas:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
Cash flow from operating activities	**7,306**	5,599	**16,708**	10,986
Changes in non-cash working capital	**(7,258)**	(1,519)	**(5,286)**	(823)
Other	**(261)**	(59)	**(190)**	(10)
Transaction, restructuring and other costs	**—**	323	**1,257**	323
AFF under current methodology	**(213)**	4,344	**12,489**	10,476
Decommissioning settlements	**2,023**	452	**4,449**	692
AFF under previous methodology	**1,810**	4,796	**16,938**	11,168

Bank Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Bank Adjusted EBITDAX 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, Adjusted EBITDAX has been 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 earnings (loss) before income tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2022**	2021	**2022**	2021
Net earnings (loss) before income tax	**(1,501)**	(9,922)	**490**	2,581
Add (deduct):				
Interest	**3,952**	3,411	**11,045**	10,076
Depletion and depreciation	**5,512**	5,821	**17,052**	17,429
Depreciation on right-of-use assets	**450**	308	**1,402**	1,277
Exploration and evaluation expense	**122**	625	**938**	864
Unrealized loss (gain) on derivatives	**(8,200)**	2,904	**(2,143)**	14,092
Impairment (reversal) loss	**—**	720	**(17,671)**	(34,280)
Accretion	**726**	425	**1,936**	1,273
(Gain) loss on foreign exchange	**5,135**	2,105	**6,498**	63
Change in other liabilities	**85**	55	**211**	163
Share – based compensation	**92**	(3)	**201**	55
Gain on sale of properties	**(3)**	(163)	**(23)**	(360)
Loss (gain) on warrant liability	**(1,371)**	1,029	**2,058**	2,743
Non-cash other income	**(1,471)**	(1,799)	**(1,899)**	(1,799)
Transaction costs, reorganization and other costs[1]	**—**	323	**1,257**	323
Bank Adjusted EBITDAX	**3,528**	5,839	**21,352**	14,500

[1] Reorganization cost includes share-based compensation related to terminations.

Net Capital Expenditures

Net capital expenditures is a non-IFRS measure commonly used in the oil and gas industry. The measurement assists management and investors to measure PPR's investment in the Company's existing asset base.

Net capital expenditures is calculated by taking total capital expenditures, which is the sum of property and equipment and exploration and evaluation expenditures from the Consolidated Statement of Cash Flows, plus capitalized stock-based compensation, plus acquisitions from business combinations, which is the outflow cash consideration paid to acquire oil and gas properties, less asset dispositions (net of acquisitions), which is the cash proceeds from the disposition of producing properties and undeveloped lands.

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)	**September 30, 2022**	December 31, 2021
Working capital[1]	**(6,331)**	(367)
Borrowings outstanding (principal plus deferred interest)	**(136,325)**	(123,972)
Total net debt	**(142,656)**	(124,339)

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