PRAIRIE PROVIDENT RESOURCES

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2025 and 2024

Dated: May 13, 2025

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at ($000s)	Note	**March 31 2025**	December 31 2024
ASSETS			
Current assets			
Cash		**2,289**	4,722
Restricted deposit	19	**4,112**	4,112
Accounts receivable	19	**5,400**	5,957
Prepaid expenses and other assets		**3,525**	3,470
Total current assets		**15,326**	18,261
Non-current assets			
Exploration and evaluation assets	5	**3,462**	3,521
Property and equipment	6	**100,255**	94,242
Right-of-use assets	7	**1,235**	1,290
Other assets		**553**	553
Total non-current assets		**105,505**	99,606
Total assets		**120,831**	117,867
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**21,572**	25,514
Current portion of lease liabilities	9	**1,894**	2,350
Current portion of decommissioning liabilities	10	**6,216**	6,260
Current portion of other liabilities		**267**	267
Current portion of debt	8	**58,424**	55,572
Total current liabilities		**88,373**	89,963
Non-current liabilities			
Lease liabilities	9	**189**	231
Decommissioning liabilities	10	**67,267**	65,513
Other liabilities		**11,378**	11,201
Total non-current liabilities		**78,834**	76,945
Total liabilities		**167,207**	166,908
Shareholders' deficit			
Share capital	11	**167,438**	159,386
Warrants	11	**1,020**	729
Contributed surplus		**39,917**	39,467
Accumulated deficit		**(254,169)**	(248,032)
Accumulated other comprehensive income (loss) ("AOCIL")		**(582)**	(591)
Total shareholders' deficit		**(46,376)**	(49,041)
Total liabilities and shareholders' deficit		**120,831**	117,867

Going concern 2

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

		Three Months Ended March 31	
($000s, except per share amounts)	Note	**2025**	2024
			(Restated)(1)
REVENUE AND OTHER INCOME			
Petroleum and natural gas sales	15	**11,073**	12,996
Royalties		**(1,472)**	(1,871)
Petroleum and natural gas sales, net of royalties		**9,601**	11,125
Realized loss on derivative instruments		**-**	(485)
Unrealized gain on derivative instruments		**-**	416
Total revenue and other income		**9,601**	11,056
EXPENSES			
Operating	16	**5,924**	8,585
General and administrative	17	**2,265**	1,955
Depletion and depreciation of property and equipment	6	**2,367**	2,539
Exploration and evaluation	5	**25**	-
Depreciation on right-of-use assets	7	**55**	85
Gain on property dispositions	4	**(125)**	(2,302)
Impairment	5,6	**1,236**	458
Foreign exchange (gain) loss		**(8)**	557
Finance costs	18	**4,274**	3,887
Transaction, restructuring and other costs		**(29)**	237
Gain on debt modification	8	**(246)**	-
Total expenses		**15,738**	16,001
Loss before income taxes		**(6,137)**	(4,945)
Total income taxes		**-**	-
Net loss		**(6,137)**	(4,945)
Other comprehensive income (loss)			
Items that may be reclassified to net loss:			
Currency translation adjustments		**9**	(232)
Total other comprehensive income (loss)		**9**	(232)
Comprehensive loss		**(6,128)**	(5,177)
Net loss per share ($)			
Basic	12	**-**	$(0.01)
Diluted	12	**-**	$(0.01)

(1) Restated (Note 22).

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

($000s)	Note	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	AOCIL	Total Equity (Deficit)
					(Restated)[1]	(Restated)[1]	(Restated)[1]
Balance, December 31, 2023[1]		147,273	729	39,596	(231,068)	164	(43,306)
Share-based compensation	13	-	-	17	-	-	17
Settlement of share-based, net of withholding tax		69	-	(67)	-	-	2
Currency translation adjustments[1]		-	-	-	-	(232)	(232)
Net loss[1]		-	-	-	(4,945)	-	(4,945)
Balance, March 31, 2024		147,342	729	39,546	(236,013)	(68)	(48,464)
Balance, December 31, 2024		159,386	729	39,467	(248,032)	(591)	(49,041)
Issuance of Common Shares and Warrants	11	8,451	291	-	-	-	8,742
Share issuance costs	11	(400)	-	-	-	-	(400)
Share-based compensation	13	-	-	450	-	-	450
Settlement of share-based, net of withholding tax	13	1	-	-	-	-	1
Currency translation adjustments		-	-	-	-	9	9
Net loss		-	-	-	(6,137)	-	(6,137)
Balance, March 31, 2025		**167,438**	**1,020**	**39,917**	**(254,169)**	**(582)**	**(46,376)**

(1) Restated (Note 22).

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($000s)	Note	Three Months Ended March 31 2025	2024 (Restated)[1]
OPERATING ACTIVITIES			
Net loss		**(6,137)**	(4,945)
Adjustments for non-cash items:			
Impairment	5,6	**1,236**	458
Unrealized gain on derivative instruments		-	(416)
Depletion and depreciation	6	**2,367**	2,539
Depreciation on right-of-use assets	7	**55**	85
Exploration and evaluation expense	5	**25**	-
Accretion expense - Decommissioning liabilities	10	**602**	773
Unrealized foreign exchange loss (gain)		**(10)**	521
Change in other liabilities		**191**	179
Gain on property dispositions	4	**(125)**	(2,302)
Gain on debt modification	8	**(246)**	-
Share-based compensation	13	**418**	17
Allowance for doubtful accounts and bad debts	19	**100**	-
Interest expense and finance costs - Debt	14,18	**3,553**	2,901
Settlements of decommissioning liabilities	10	**(218)**	(41)
Other, net		**-**	21
Change in non-cash working capital	14	**(6,005)**	(2,358)
Cash from (used in) operating activities		**(4,194)**	(2,568)
INVESTING ACTIVITIES			
Property and equipment expenditures	6	**(8,023)**	(578)
Proceeds from dispositions, net of acquisitions	4	**(76)**	24,178
Change in non-cash working capital	14	**2,015**	(505)
Cash from (used in) investing activities		**(6,084)**	23,095
FINANCING ACTIVITIES			
Issuance costs	11	**(324)**	-
Issuance of Common Shares and Warrants for cash	11	**8,666**	-
Settlement of share-based compensation, including withholding tax and net of proceeds		**1**	2
Repayments of principal related to lease liabilities	9	**(498)**	(635)
Repayment of First Lien Loan debt	14	**(446)**	(20,000)
Change in non-cash working capital	14	**446**	-
Cash from (used in) financing activities		**7,845**	(20,633)
Change in cash		**(2,433)**	(106)
Cash, beginning of period		**4,722**	1,835
Cash, end of period		**2,289**	1,729

(1) Restated (Note 22).

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2025 and 2024

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 #1000, 500 – 4th Avenue SW, Calgary, Alberta. The Company's common shares ("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 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.

On May 15, 2023, former Noteholder, PCEP Canadian Holdco, LLC ("PCEP"), acquired a majority interest in PPR following a recapitalization transaction, thereby obtaining control of PPR. PCEP is a subsidiary of Prudential Private Capital, a unit of PGIM, Inc. ("PGIM"), the ultimate parent of PPR.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board. They are condensed as they do not include all of the information required for full annual consolidated financial statements, and they should be read in conjunction with the audited annual consolidated financial statements of PPR as at and for the years ended December 31, 2024 and 2023 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, other than described in Note 3 below.

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 Board of Directors of PPR on May 13, 2025.

Going Concern

These Interim Financial Statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that PPR will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2025, the Company's total principal debt was $66.5 million (December 31, 2024 - $64.9 million) with the First Lien Loan considered fully drawn (see Note 8). At March 31, 2025, the Company was in breach of its Minimum EBITDAX financial covenant under its Revolving Facility and Second Lien Notes (see Note 8). The covenant breach creates a right for the lenders under each facility to accelerate the maturity of their indebtedness. None of the Company's lenders have delivered a notice of an event of default required to accelerate the maturity of their facilities and as of May 13, 2025, this default has been waived (or the applicable covenants have been adjusted or eliminated such that the Company is in compliance as of March 31, 2025), and the lenders no longer have the right to accelerate the maturities of the facilities, subject to the Company's compliance with the terms of the agreements in future periods. There remains a risk with regards to ongoing compliance with debt covenants.

As described in Note 8 (Debt) and Note 11 (Share Capital and Warrants), and in furtherance of its Basal Quartz development plans, the Company raised $8.67 million in aggregate gross proceeds through equity financings, with the first tranche of $4.8 million closing on February 19, 2025 and the second and final tranche of $3.87 million closing on March 5, 2025 (the "2025 Equity Offerings").

The Company's principal shareholder, PCEP, and certain directors and officers of the Company, participated in the 2025 Equity Offerings for a final aggregate investment of $7.32 million after converting USD-denominated commitments to Canadian dollars, of which $5.0 million was completed under the Private Placement and $2.32 million was completed under the 2025 LIFE Offering (Note 11).

In conjunction with the 2025 Equity Offerings, on February 19, 2025, the Company agreed to further amendments to its First Lien Loan debt agreements providing further deferral of certain cash interest obligations and adjustment of financial covenants to replace existing covenants with new measures and thresholds that align with the Company's current expectations for the remaining term to maturity (Note 8). Amendments have also been agreed with respect to the Company's outstanding Second Lien Notes to align the amended covenants under the First Lien Loan.

In the first quarter of 2025, the Company spud a further three Basal Quartz wells which were completed and brought on production in late April 2025. Despite these efforts by the Company and with the Company committed to further development in the Basal Quartz formation, PPR remains in a challenging position with respect to its ability to meet current financial obligations while managing its decommissioning liabilities, debt obligations, and debt-related financial covenants. In the event of default under both the First Lien Loan and the Second Lien Notes, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

The Company recognizes the significance of PPR's cash flows and continues to actively assess a variety of strategies and options to effectively manage its capital, however, there is no guarantee that the Company will be successful in these efforts.

The Company's lenders have not re-determined the borrowing base following the Company's reserves evaluation as at December 31, 2024. The lenders have sole discretion on the determination of the borrowing base, which is based predominantly on the amount of the Company's proved developed producing oil and natural gas reserves. 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. In the event of such a shortfall, the Company may not have the funds available to repay the amount due.

Due to the above factors, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These Interim Financial Statements do not include adjustments to the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying Interim Financial Statements. Such adjustments could be material.

Functional and Presentation Currency

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

Use of Estimates and Judgements

The preparation of the 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 period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are outlined in Note 2 of the Annual Financial Statements.

3. MATERIAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The following are the accounting policies that management considers material to the users of the Financial Statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions or other events or conditions in the Financial Statements.

The Company's material accounting policies under IFRS are presented in Note 3 of 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.

New accounting standards and amendments not yet adopted

On April 9, 2024, the IASB issued a new standard, International Financial Reporting Standard 18 *Presentation and Disclosure in Financial Statements*, which introduced new requirements for improved comparability in the statement of profit or loss, enhanced transparency of management-defined performance measures and more useful grouping of information in the financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently evaluating its impact to financial statements.

On May 30, 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures that clarify the recognition and derecognition of certain financial assets and liabilities, including an exception for those settled via electronic cash transfer systems. New disclosure requirements are introduced for instruments with terms that can change cash flows and for equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026. PPR does not anticipate any material impact from these amendments to the financial statements.

4. DISPOSITIONS AND ACQUISITIONS

2024 Dispositions

In the first quarter of 2025, the Company adjusted the purchase price equation for the disposition of certain Provost assets completed in the first quarter of 2024. The adjustments resulted in a $0.06 million reduction in cash consideration, the derecognition of a further $0.18 million in decommissioning liabilities (Note 10) and a further $0.12 million gain on disposition.

2025 Other acquisitions and dispositions

PPR completed other property acquisitions in the first quarter of 2025 acquiring $0.03 million of property and equipment in exchange for $0.03 million in cash consideration. In addition, PPR sold $0.01 million of property and equipment in exchange for $0.01 million in cash consideration.

5. EXPLORATION AND EVALUATION ASSETS

($000s)	Total
Cost	
Balance, December 31, 2024	62,779
Change in estimates in decommissioning liabilities (Note 10)	894
Exploration and evaluation expense	(25)
Transfer to property and equipment (Note 6)	(34)
Balance, March 31, 2025	**63,614**
Impairment	
Balance, December 31, 2024	(59,258)
Impairment loss	(894)
Balance, March 31, 2025	**(60,152)**
Carrying amounts	
December 31, 2024	3,521
March 31, 2025	**3,462**

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 months ended March 31, 2025, PPR recognized $0.03 million (2024 - $nil) of E&E expense related to surrendered or expired leases in various areas. The Company did not capitalize any directly attributable general and administrative expenses or share-based compensation to E&E assets during the three months ended March 31, 2025 (2024 - $nil).

At March 31, 2025, the Company had not identified any indicators of impairment or reversal of impairment. During the three months ended March 31, 2025, PPR recognized non-cash E&E impairment expense of $0.9 million (2024 - $0.1 million impairment reversal) for changes in estimates of decommissioning liabilities related to E&E properties that had $nil carrying amount.

6. PROPERTY AND EQUIPMENT

($000s)	Production and Development ("P&D")	Office Equipment	Total
Cost			
Balance, December 31, 2024	618,093	5,097	623,190
Additions	8,014	9	8,023
Net acquisitions	19	-	19
Capitalized share-based compensation (Note 13)	32	-	32
Change in estimates in decommissioning liabilities (Note 10)	614	-	614
Transfer from E&E assets (Note 5)	34	-	34
Balance, March 31, 2025	**626,806**	**5,106**	**631,912**
Depletion, depreciation and impairment			
Balance, December 31, 2024	(524,196)	(4,752)	(528,948)
Depletion and depreciation	(2,341)	(26)	(2,367)
Impairment	(342)	-	(342)
Balance, March 31, 2025	**(526,879)**	**(4,778)**	**(531,657)**
Carrying amounts			
December 31, 2024	93,897	345	94,242
March 31, 2025	**99,927**	**328**	**100,255**

As at March 31, 2025, an estimated $191.0 million in future development costs associated with proved plus probable undeveloped reserves were included in the calculation of depletion (December 31, 2024 - $198.9 million).

During the three months ended March 31, 2025, $0.2 million (2024 – $0.1 million) of directly attributable general and administrative expenses were capitalized to property and equipment and included in additions above.

At March 31, 2025, the Company had not identified any indicators of impairment or reversal of impairment. During the three months ended March 31, 2025, PPR recognized non-cash property and equipment impairment expense of $0.3 million (2024 - $0.1 million impairment reversal) for changes in estimates of decommissioning liabilities related to P&D properties that had $nil carrying amount.

7. RIGHT-OF-USE ASSETS

($000s)	Office Leases	Facility Lease	Other Leases	Total
Cost				
Balance, March 31, 2025 and December 31, 2024	**196**	**1,183**	**92**	**1,471**
Accumulated depreciation				
Balance, December 31, 2024	(5)	(148)	(28)	(181)
Depreciation expense	(14)	(37)	(4)	(55)
Balance, December 31, 2024	**(19)**	**(185)**	**(32)**	**(236)**
Carrying amounts				
December 31, 2024	191	1,035	64	1,290
March 31, 2025	**177**	**998**	**60**	**1,235**

8. DEBT

At March 31, 2025, the Company's debt of $58.4 million (December 31, 2024 - $55.6 million) comprises the following:

($000s)	Principal Debt[1] March 31 2025	Principal Debt[1] December 31 2024	Carrying Amount of Debt March 31 2025	Carrying Amount of Debt December 31 2024
Revolving Facility - First Lien Loan				
USD Advance				
- US$5.8 million principal (Dec 31, 2024 - US$5.7 million)[1]	**8,347**	8,142	**7,525**	7,190
CAD Advance				
- C$49.1 million principal (Dec 31, 2024 - C$48.0 million)	**49,147**	48,022	**43,987**	42,010
Amendment Fee Advanced				
- C$1.5 million principal (Dec 31, 2024 - C$1.5 million)	**1,500**	1,500	**1,171**	1,101
Total First Lien Loan	**58,994**	57,664	**52,683**	50,301
Second Lien Notes[2]				
Tranche 1 (Mar-23)				
- US$3.6 million principal (Dec 31, 2024 - US$3.6 million)[1][2]	**5,233**	5,238	**5,615**	5,155
Additional Notes				
- US$0.1 million principal (Dec 31, 2024 - US$0.1 million)[1]	**212**	212	**126**	116
Capitalized and accrued PIK interest[2]	**2,066**	1,787	**-**	-
Total Second Lien Notes	**7,511**	7,237	**5,741**	5,271
Carrying amounts				
Current portion of debt	**66,505**	64,901	**58,424**	55,572
Non-current portion of debt	**-**	-	**-**	-
Total debt	**66,505**	64,901	**58,424**	55,572

(1) At March 31, 2025, USD-denominated principal debt converted at an exchange rate of US$1.00 to C$1.4376 (December 31, 2024 - US$1.00 to C$1.4389).

(2) The Second Lien Notes tranches' principal is subject to deferred interest in kind (whilst the principal remains outstanding) and an overall deferred compensation fee as described below, which are included in the 'Capitalized and accrued PIK interest' as presented. PPR estimates that the principal will be subject to a target multiple of x1.8 on settlement at the maturity date, which is not reflected in the principal debt in the table above.

In addition to the debt as detailed above, the Company includes the following in accounts payable and accrued liabilities:

($000s)	March 31 2025	December 31 2024
Accrued liabilities - First Lien Loan		
USD Advance	**71**	-
CAD Advance	**375**	-
Total debt	**446**	-

At March 31, 2025, there was $0.4 million of principal debt accrued interest on the First Lien Loan as a result of the deferral of a portion of cash interest owed under the First Lien Loan and 75% capitalized to outstanding principal as additional principal of all accrued interest amounts through March 31, 2025 as described below.

At December 31, 2024, there was $nil accrued interest on the First Lien Loan as a result of the deferral of a portion of cash interest owed under the First Lien Loan and 100% capitalized to outstanding principal as additional principal of all accrued interest amounts through December 31, 2024 as described below.

Note 14 includes a reconciliation of the changes in liabilities arising from the financing activities of the Company's debt.

Revolving Facility - First Lien Loan

At March 31, 2025 and December 31, 2024, the Company has a senior secured credit facility ("First Lien Loan") with the Company's ultimate parent comprising US$65 million of senior secured revolving notes.

Borrowings under the First Lien Loan 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 First Lien Loan, except in certain extraordinary circumstances where a repayment will reduce the borrowing base. The First Lien Loan is denominated in USD, but accommodates CAD advances.

All notes were issued at par by Prairie Provident Resources Canada Ltd., a wholly-owned subsidiary of PPR, and are guaranteed by PPR and certain of its other subsidiaries and secured by a US$200 million debenture.

The note purchase agreement governing the First Lien Facility also limits the amounts the Company can borrow to a borrowing base amount, determined by the secured noteholder at any time in their sole discretion based on their internal criteria and the estimated value of PPR's petroleum and natural gas properties in accordance with the lender's customary practices for oil and gas loans. Outstanding borrowings in excess of the borrowing base must be repaid with interest.

The Company's lenders have not re-determined the borrowing base following the Company's reserves evaluation as at December 31, 2024. The lenders have sole discretion on the determination of the borrowing base, which is based predominantly on the amount of the Company's proved developed producing oil and natural gas reserves. 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 bear interest based on reference bank lending rates in effect from time to time, plus an applicable margin. The USD advances bear interest at the Secured Overnight Financing Rate ("SOFR") plus 950 basis points and the CAD advances bear interest at the Canadian Overnight Repo Rate Average ("CORRA") (Canadian Dollar Offered Rate prior to the debt amendment below) plus 950 basis points. Standby fees on any undrawn borrowing capacity are 87.5 basis points per annum.

On September 13, 2024, the maturity date was extended to March 31, 2026 in addition to the following amendments to the First Lien Loan:

- Deferral of a portion of cash interest obligations on amounts owed under the First Lien Loan, through (i) 100% capitalized to outstanding principal as additional principal of all accrued interest amounts through December 31, 2024; and (ii) 25% capitalization of 2025 accrued interest through December 31, 2025 if PPR raises $14.5 million to $16.5 million of equity by March 31, 2025; or (iii) up to 50% of 2025 accrued interest through December 31, 2025 if PPR raises at least $16.5 million of equity by March 31, 2025 as additional principal of all accrued interest amounts;

- In consideration of the debt amendments, a $1.5 million debt amendment fee (the "Amendment Fee") payable to the noteholder at the earliest of (i) the March 31, 2026 maturity date; (ii) the date on which the other obligations of the First Lien Loan are settled; or (iii) the date on which an event of default occurs; and

- Adjustment of financial covenants, to replace existing covenants with new measures and thresholds that align with the Company's current expectations for the remaining term to maturity.

On February 19, 2025, in conjunction with the equity financings in February 2025 and March 2025 (Note 11), further amendments were made to the First Lien Loan that includes:

- Further deferral of a portion of cash interest obligations on amounts owed under the First Lien Loan, through 75% capitalization of 2025 accrued interest through December 31, 2025 as PPR raised $18.5 million of equity by March 31, 2025; and

- Replacing existing covenants with new measures and thresholds for the remaining term to maturity. The amended covenants are outlined below.

Following the revised capitalization of 2025 accrued interest through December 31, 2025 and the impact on the present value of discounted repayments, the Company recognized a $0.2 million debt modification gain on the First Lien Loan.

As at March 31, 2025, the Company had $nil (December 31, 2024 - $nil) available borrowing capacity under the First Lien Loan. The First Lien Loan is considered fully drawn.

Second Lien Loan

On March 30, 2023, the Company completed a second lien financing of the 2023 PPR recapitalization and issued US$3.6 million of notes (the "Second Lien Notes") with Prudential Capital Energy Partners, L.P., a subsidiary of PPR's ultimate parent.

The Second Lien Notes bear interest at the SOFR plus 1150 basis points. Interest on the Second Lien Notes must be paid in kind while the

First Lien Loan remains outstanding. In addition to repayment of the principal balance on maturity, the Second Lien Note purchase agreement requires payment of a deferred compensation fee based on a target multiple of 1.8, capped by a 45% internal rate of return, on the later of maturity or prepayment and the date on which the Revolver is fully repaid.

On May 17, 2024, the Company issued an additional tranche of US$2.3 million of Second Lien Notes with consistent interest, maturity and conditions.

On September 13, 2024, the maturity date of the Second Lien Notes was extended to September 30, 2026 in addition to other amendments to the Second Lien Notes including an adjustment of financial covenants, to replace existing covenants and align with the First Lien Note covenants.

On September 27, 2024, the US$2.3 million second tranche was settled and repaid through a C$3.1 million offset against the proceeds received from a $10 million PCEP Common Share subscription. The Company issued US$0.15 million of additional notes representing accrued indebtedness on the second tranche note (the "Additional Notes") repayable on the extended September 30, 2026 maturity date. The Additional Notes are non-interest bearing, not subject to a target return and not subject to a deferred compensation fee.

On February 19, 2025, in conjunction with the First Lien Loan debt amendments as described above, the Second Lien Note covenants were further revised. The amended covenants are outlined below.

Covenants at March 31, 2025

As described above, the amended September 13, 2024 debt agreements of the First Lien Loan and the Second Lien Notes and related parent and subsidiary guarantees now align the various financial and non-financial 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.

At March 31, 2025, the revised financial covenant thresholds of the Company are as follows:

Financial Covenant	First Lien Loan Requirement	Second Lien Notes Requirement	As at March 31, 2025
Minimum EBITDAX (1)			
For the period of four fiscal quarters most recently ended:			
Quarter ending Mar 31, 2025	Exceed $4.5 million	Exceed $4.0 million	Not in compliance
Quarter ending Jun 30, 2025	Exceed $11.5 million	Exceed $10.5 million	
Quarter ending Sep 30, 2025	Exceed $19.0 million	Exceed $17.5 million	
Quarter ending Dec 31, 2025	Exceed $26.0 million	Exceed $23.5 million	
Quarter ending Mar 31, 2026	Exceed $30.0 million	Exceed $27.0 million	
Total Leverage Ratio (2)			
For the period of four fiscal quarters most recently ended:			
Quarter ending Mar 31, 2025	Not applicable	Not applicable	Not applicable
Quarter ending Jun 30, 2025	Greater than 5.50	Greater than 6.00	
Quarter ending Sep 30, 2025	Greater than 4.00	Greater than 4.50	
Quarter ending Dec 31, 2025	Greater than 3.25	Greater than 3.75	
Quarter ending Mar 31, 2026	Greater than 2.50	Greater than 3.00	
Minimum Liquidity			
Monthly from Dec 2024 onwards	Minimum of C$0.5 million in the form of unrestricted cash and/or unrestricted cash equivalents	Not applicable	In compliance
Minimum Production (3)			
For the months ended:			
Jan-2025 through Mar-2025	At least 2,000 boe/d	At least 1,800 boe/d	In compliance
Apr-2025 through Jul-2025	At least 2,500 boe/d	At least 2,250 boe/d	
Aug-2025 through Oct-2025	At least 3,000 boe/d	At least 2,700 boe/d	
Nov-2025 through Mar-2026	At least 2,500 boe/d	At least 2,250 boe/d	

(1) Under the debt agreements, EBITDAX for any period means (a) consolidated net loss for such period plus (b) to the extent deducted in determining consolidated net loss, financing charges, exploration expenses, income taxes, depreciation, depletion, amortization and other non-cash items of expense for such period (including any provision for the reduction in the carrying amount of assets recorded in accordance with Generally Accepted Accounting Practice and including non-cash charges resulting from share-based compensation and write downs on assets and non-cash losses resulting

from outstanding risk management derivative contracts for such period, losses attributable to extraordinary and non-recurring losses for such period) minus (c) all non-cash items of income which were included in determining such consolidated net loss (including non-cash gains resulting from the outstanding risk management derivative contracts and earnings attributable to extra-ordinary and non-recurring gains for such period; provided that such EBITDAX shall be subject to pro forma adjustments for material acquisitions and dispositions assuming that such transactions had occurred on the first day of the applicable calculation period.

(2) Under the debt agreements, the Total Leverage Ratio means the ratio as of the last day of any fiscal quarter of the Company, the ratio of (i) adjusted indebtedness at such time (including, for clarity, all First Lien Loans and Second Lien Notes), plus current liabilities at such time, less current assets at such time, to (ii) EBITDAX for the period of four fiscal quarters most recently ended. 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.

(3) Production means an average daily hydrocarbon production volume, measured in barrels of oil equivalent per day (boe/d) (with 6,000 cubic feet of natural gas deemed to be one barrel of oil equivalent).

Subsequent to March 31, 2025, the Company obtained a waiver from the lenders for the financial debt covenant breach as described above. As a result of this breach, debt is classified as current at March 31, 2025.

9. LEASE LIABILITIES

($000s)	**Total**
Balance, December 31, 2024	2,581
Interest expense	113
Lease payments	(611)
Balance, March 31, 2025	**2,083**

	March 31 2025	December 31 2024
Consisting of:		
Current portion of lease liabilities	**1,894**	2,350
Non-current portion of lease liabilities	**189**	231

The following table details the undiscounted cash flows of PPR's lease liabilities as at March 31, 2025:

($000s)	**<1 Year**	**1-3 Years**	**4-5 Years**	**>5 Years**	**Total Contractual Cash Flows**	**Carrying Amount**
Lease liabilities	2,072	99	109	53	2,333	2,083

10. DECOMMISSIONING LIABILITIES

($000s)	**Total**
Balance, December 31, 2024	71,773
Dispositions (Note 4)	(182)
Additions	315
Liabilities settled	(218)
Change in estimates	1,193
Accretion expense	602
Balance, March 31, 2025	**73,483**

	March 31 2025	December 31 2024
Consisting of:		
Current portion of decommissioning liabilities	**6,216**	6,260
Non-current portion of decommissioning liabilities	**67,267**	65,513

(1) Restated (Note 22).

At March 31, 2025, the Company estimated the undiscounted and inflated total future liabilities to be approximately $196.1 million (December 31, 2024 – $194.0 million). Liability payments are estimated over the next 55 years with the majority of costs expected to be incurred over the next 35 years, of which $6.2 million is estimated to be spent in the next year.

Decommissioning liabilities at March 31, 2025 were determined using risk-free rates of 3.23% to 3.34% (December 31, 2024 – 3.36% to 3.64%) and an inflation rate of 1.9% (December 31, 2024 – 1.9%).

11. SHARE CAPITAL AND WARRANTS

Authorized shares

The Company has:

- Unlimited number of Common Shares.

Issued and outstanding Common Shares

	Number (000s)	Amount ($000s)
Balance, December 31, 2024	1,197,401	159,386
Issuance of Common Shares	203,915	8,451
Share issuance costs	-	(400)
Issued on exercise of stock options	19	1
Balance, March 31, 2025	**1,401,335**	**167,438**

2025 Equity Financings

As part of a brokered private placement, PPR raised $8.666 million in gross proceeds through the issuance of Common Shares and Warrants:

- On February 20, 2025, PPR closed the first tranche of an equity financing for $4.8 million in gross proceeds from its principal and largest shareholder, PCEP, at a price of $0.0425 per Common Share and issued 112,941,176 Common Shares to PCEP; and
- On March 5, 2025, PPR closed the second and final tranche of the equity financing for additional $3.87 million in gross proceeds through:
  - The issuance of 86,267,672 units at a price of $0.0425 per unit, for gross proceeds of $3.67 million in an offering made pursuant to the 'listed issuer financing exemption' (LIFE) under applicable Canadian securities laws. Each unit comprises one Common Share and one Common Share purchase warrant, with each such purchase warrant exercisable for one Common Share at a price of $0.05 per Common Share until March 5, 2028 (the "2025 Purchase Warrant"). As part of the LIFE offering, PCEP acquired 54,508,872 units in total for $2.3 million in gross proceeds; and
  - A further $0.2 million in gross proceeds from directors and officers at a price of $0.0425 per Common Share, issuing 4,705,883 Common Shares to directors and officers.

In connection with the 2025 Equity Financings, $8.451 million of the gross proceeds was allocated to Common Share capital and the residual $0.215 million was allocated to the 2025 Purchase Warrants, and included in Warrants.

In connection with the brokered private placement, the Company paid deal brokers total cash compensation of $0.35 million and issued them a total of 2,508,704 non-transferable broker warrants (the “2025 Broker Warrants“). Each 2025 Broker Warrant entitles the holder thereof to acquire one unit at a price of $0.0425 per Unit until March 5, 2028.

Issued and outstanding Warrants

	Number (000s)	Amount ($000s)
Balance, December 31, 2024	48,000	729
Issued in connection with 2025 Equity Financings	86,267	215
Issued for services	2,509	76
Balance, March 31, 2025	**136,776**	**1,020**

	March 31, 2025		December 31, 2024	
	Number (000s)	**Amount** ($000s)	**Number** (000s)	**Amount** ($000s)
Consisting of:				
2023 Purchase Warrants[(1)]	**44,444**	**445**	44,444	445
2023 Broker Warrants[(2)]	**3,556**	**284**	3,556	284
2025 Purchase Warrants[(3)]	**86,267**	**215**	-	-
2025 Broker Warrants[(4)]	**2,509**	**76**	-	-
Total Warrants	**136,776**	**1,020**	48,000	729

(1) Each 2023 Purchase Warrant is exercisable for one Common Share at a price of $0.10/share until May 15, 2028.
(2) Each 2023 Broker Warrant is exercisable for one unit at a price of $0.09/unit until May 15, 2028 with each unit comprising one Common Share as well as a warrant entitling the holder to subscribe for another Common Share at a price of $0.10/share until May 15, 2028.
(3) Each 2025 Purchase Warrant is exercisable for one Common Share at a price of $0.05/share until March 5, 2028.
(4) Each 2025 Broker Warrant is exercisable for one unit at a price of $0.0425/unit until March 5, 2028 with each unit comprising one Common Share as well as a warrant entitling the holder to subscribe for another Common Share at a price of $0.05/share until March 5, 2028.

12. LOSS PER SHARE

($000s, except Common Shares and per share amounts)	**Three Months Ended March 31** **2025**	2024
		(Restated)[(1)]
Net loss for the period ($000)	**(6,137)**	(4,945)
Weighted average number of Common Shares (000s)		
Basic	**1,273,892**	715,861
Diluted	**1,273,892**	715,861
Loss per Common Share ($)		
Basic	**-**	$(0.01)
Diluted	**-**	$(0.01)

(1) Restated (Note 22).

Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. Diluted per share information is calculated using a method which assumes that any proceeds received by the Company upon the exercise of in-the-money stock options or warrants plus unamortized share-based compensation expense would be used to buy back Common Shares at the average market price for the period. Diluted net loss per share is calculated using the basic weighted average Common Shares.

The weighted average diluted Common Shares outstanding for the three months ended March 31, 2025 and 2024, exclude the impact of all outstanding equity-settled awards issued under the Company's long-term incentive plans and Warrants as they were anti-dilutive.

13. SHARE-BASED COMPENSATION

As part of its long-term incentive plans, PPR’s equity compensation arrangements consist of its stock option plan (“Option Plan”) and incentive security plan (“Incentive Security Plan”).

Option Plan

The Option Plan provides for the grant from time to time to directors, officers, employees and consultants of the Company of stock options to purchase Common Shares at a specified exercise price determined at the time of grant (“Options”). Under the Company’s Option Plan, Options granted typically vest evenly over a three-year period and expire 5 years after the grant date.

The following table summarizes the number of Options under the Option Plan:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2024	64,902,418	$0.04
Exercised	(18,596)	$0.05
Forfeited or expired	(908,822)	$0.09
Balance, March 31, 2025	**63,975,000**	**$0.04**
Exercisable, March 31, 2025	**213,334**	**$0.28**

The following table summarizes the Company’s outstanding Options at March 31, 2025:

	Options Outstanding			Options Exercisable		
Year of Grant	**Number**	**Remaining contractual life (years)**	**Weighted Average Exercise Price**	**Number**	**Remaining contractual life (years)**	**Weighted Average Exercise Price**
2022	440,000	1.6	$0.28	213,334	2.0	$0.28
2024	63,535,000	4.7	$0.04	-	-	-
Total	**63,975,000**	**4.7**	**$0.04**	**213,334**	**2.0**	**$0.28**

Incentive Security Plan

The Incentive Security Plan provides for the grant from time to time to directors, officers and employees of the Company of "phantom" unit awards in the form of deferred share units ("DSUs"), restricted share units ("RSUs") and performance share units ("PSUs").

DSUs may be granted to non-management directors of the Company. DSUs vest immediately upon granting but no payment in respect of DSUs is made until the participant ceases to be a director. DSUs may be settled in Common Shares (by issuance from treasury or through the delivery of Common Shares purchased through the open market) or cash at the discretion of the Company.

RSUs may be granted to employees and management. RSUs vest evenly over a three-year period and will be settled in Common Shares or cash at the discretion of the Company.

As it is PPR’s intention to settle these unit awards in Common Shares, this plan is accounted for as equity-settled.

The following table summarizes the number of awards under the Incentive Security Plan:

	DSUs	RSUs
Balance, March 31, 2025 and December 31, 2024	**2,000,000**	**6,690,000**

Share-based compensation

	Three Months Ended March 31	
($000s)	**2025**	2024
Stock Options	**403**	6
DSUs	**-**	-
RSUs	**47**	11
Total shared-based compensation	**450**	17
Capitalized to property and equipment (Notes 6)	**(32)**	-
Expensed in general and administrative expenses (Note 17)	**418**	17

14. SUPPLEMENTAL INFORMATION

Cash Flow

The following table details the components of non-cash working capital:

($000s)	Three Months Ended March 31 2025	2024
		(Restated)[1]
Provided by (used in):		
Accounts receivable	**458**	2,328
Prepaid expenses	**(55)**	235
Accounts payable and accrued liabilities[1]	**(3,947)**	(5,426)
	(3,544)	(2,863)
Provided by (used in):		
Operating activities[1]	**(6,005)**	(2,358)
Investing activities	**2,015**	(505)
Financing activities	**446**	-
	(3,544)	(2,863)
Cash interest paid – excludes debt repayments	**119**	214
Debt repayments	**446**	20,000

(1) Restated (Note 22).

Financial Liabilities Reconciliation

Changes in liabilities arising from financing activities:

($000s)	First Lien Loan Accrued Interest	First Lien Loan Debt	Second Lien Note Debt
Balance, December 31, 2024	-	50,301	5,271
Cash items			
Debt repayments	-	(446)	-
Non-cash changes			
Interest expense and finance costs - Debt	-	3,079	474
Unrealized foreign exchange (gain) loss	-	(5)	(4)
Gain on debt modification (Note 8)	-	(246)	-
Accrued repayments	446	-	-
Balance, March 31, 2025	**446**	**52,683**	**5,741**

15. REVENUE

($000s)	Three Months Ended March 31 2025	2024
Crude oil and condensate	**9,394**	10,987
Natural gas	**1,217**	1,559
Natural gas liquids	**462**	450
Petroleum and natural gas sales	**11,073**	12,996

Included in accounts receivable at March 31, 2025 was $3.6 million of accrued petroleum and natural gas sales related to March 2025 production (December 31, 2024 – $4.1 million related to December 2024 production).

16. OPERATING EXPENSES

($000s)	Three Months Ended March 31 2025	2024
		(Restated)[1]
Lease operating expense[1]	**3,837**	6,287
Transportation and processing expenses	**1,383**	1,435
Production, property and carbon taxes	**704**	863
Operating expense	**5,924**	8,585

(1) Restated (Note 22).

17. GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

($000s)	Three Months Ended March 31 2025	2024
G&A costs	**2,034**	2,005
Share-based compensation expense (Note 13)	**418**	17
Gross G&A expense	**2,452**	2,022
G&A costs capitalized to property and equipment (Note 6)	**(187)**	(67)
G&A expenses	**2,265**	1,955

18. FINANCE COSTS

($000s)	Three Months Ended March 31 2025	2024
Interest expense and finance costs - Debt	**3,553**	2,878
Interest expense - Lease liabilities (Note 9)	**113**	205
Interest expense - Other	**7**	8
Interest expense - Debt modification and warrant liabilities	**-**	23
Interest income	**(16)**	-
Accretion expense – Decommissioning liabilities (Note 10)	**602**	773
Accretion expense – Other liabilities	**15**	-
Finance costs	**4,274**	3,887

19. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair Value of Financial Instruments

During the three months ended March 31, 2025 and 2024, there were no transfers among Levels 1, 2 and 3 of the fair value hierarchy (Note 3 of the Annual Financial Statements).

Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development production and financing activities such as:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented, and monitors compliance with, risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the

Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

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 receivables from joint operators and petroleum and natural gas marketers.

Cash, Restricted Cash and Restricted Deposits

The Company limits its exposure to credit risk related to cash, restricted cash and restricted deposits by depositing its excess cash at March 31, 2025 of $2.3 million (December 31, 2024 - $4.7 million) and restricted deposits of $4.1 million (December 31, 2024 – $4.1 million) only with financial institutions that have investment grade credit ratings. The restricted deposits includes guaranteed investment certificates with maturity dates of one year or less.

Accounts Receivable

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All of the Company's petroleum and natural gas production is marketed under standard industry terms. Accounts receivable from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a number of large purchasers and by entering into sales contracts with only established, credit-worthy counterparties. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers.

PPR executes its derivative contracts with credit-worthy counterparties believed to have low credit risk. The Company historically has not experienced any collection issues with its derivative instruments counterparties.

Receivables from joint operators are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining the partners' pre- approval of significant capital expenditures. However, the receivables are from participants in the petroleum and natural gas sector, and collection of the balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exist with joint operators as disagreements occasionally arise that may increase the potential for non-collection. The Company does not typically obtain collateral from its marketers or joint operators; however, the Company can withhold production from joint operators in the event of non-payment or may be able to register security on the assets of joint operators.

For the three months ended March 31, 2025, PPR received approximately 75% of its revenue from two purchasers (2024 – 65% of its revenue from four purchasers).

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

($000s)	**March 31 2025**	December 31 2024
Petroleum and natural gas marketing companies	**3,922**	4,346
Joint venture partners	**716**	953
Government agencies	**522**	374
Other	**240**	284
Total accounts receivable	**5,400**	5,957

The Company's accounts receivable are aged as follows:

Current (less than 90 days)	**4,619**	5,442
Past due (more than 90 days)	**781**	515
Total accounts receivable	**5,400**	5,957

PPR recognized an allowance for doubtful accounts of $0.3 million as at March 31, 2025 (December 31, 2024 - $0.2 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 with each of its derivative counterparties an International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, which is a standard industry form contract containing general terms and conditions applicable to many types of derivative transactions.

As at March 31, 2025 and December 31, 2024, PPR had no outstanding derivative contracts.

Liquidity Risk and Capital Management

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. As outlined in Note 8, at March 31, 2025, the Company had $nil borrowing capacity under the Second Lien Loan. This, and the information provided in Note 2 (Going Concern), results in material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

As at March 31, 2025, PPR had outstanding letters of credit of $4.0 million (December 31, 2024 – $4.0 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 deposit on the statement of financial position (Note 22) and the balance is invested in short-term market instruments with maturity dates of one year or less when purchased (see Cash, Restricted Cash and Restricted Deposit above).

The following table details the cash flows and contractual maturities of the Company's financial liabilities at March 31, 2025:

($000s)	**Total**	**<1 Year**	**1-3 Years**	**4-5 Years**	**>5 Years**
Accounts payable and accrued liabilities	21,572	21,572	-	-	-
Lease liabilities	2,333	2,072	99	109	53
Debt[(1)]	76,338	76,338	-	-	-
Total	**100,243**	**99,982**	**99**	**109**	**53**

(1) Includes interest payments and the principal and deferred amounts payable on maturity on the Company's Revolving Facility and Second Lien Notes. Interest payments are estimated for the Revolving Facility using year-end outstanding borrowing and year-end prime interest rate plus applicable margins for the related borrowing periods. At March 31, 2025, the contractual maturities of the debt is presented as current as the debt covenants were breached (Notes 2 and 8).

Capital Management

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

PPR monitors its capital structure using the Total Leverage Ratio (as defined in Note 8) to trailing twelve months’ EBITDAX (as defined in Note 8). The Total Leverage Ratio 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 at March 31, 2025, the Company was in breach of this financial covenant. Refer to Note 8 for additional details.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company’s income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

The Company may use financial derivative contracts to manage market risks as disclosed below. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Substantially all of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated long-term debt. The exposure to fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the debt fluctuates with changes in interest rates. The Company is exposed to interest rate risk related to borrowings that are drawn under the First Lien Loan and the Second Lien Notes.

A change in interest rates by 100 basis points would have changed net loss by approximately $0.6 million in the three months ended March 31, 2025 (2024 – $0.5 million), assuming all other variables remain constant.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

PPR may enter 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.

As at March 31, 2025 and December 31, 2024, PPR had no outstanding derivative contracts.

20. RELATED PARTY TRANSACTIONS

PCEP Canadian Holdco, LLC is the immediate holding and parent company of PPR. Please see Note 11 with regards to PCEP's participation in the equity offerings in February 2025 and March 2025.

The First Lien Loan is held with PGIM, Inc., the ultimate parent of PPR. The First Lien Loan and related transactions are described in Note 8.

The Second Lien Notes are held by Prudential Capital Energy Partners, L.P., a subsidiary of PPR's ultimate parent, PGIM. The Second Lien Notes and related transactions are described in Note 8.

The First Lien Loan debt is held by PGIM, Inc.'s general account (the "Senior Debt") and the Senior Debt is separately managed from the Second Lien Notes and equity held by the PGIM Capital Partners mezzanine fund (held by PCEP). There is a wall separating the management of the Senior Debt and PCEP, and all negotiations with the management of the Senior Debt are conducted at arm's-length, consistent with negotiations with other third parties.

21. COMMITMENTS AND CONTINGENCIES

At March 31, 2025, the Company has non-cancellable contractual obligations summarized as follows:

($000s)	**<1 Year**	**1-3 Years**	**4-5 Years**	**>5 Years**	**Total**
Debt - 'Principal Debt'(1) (Note 8)	66,505	-	-	-	66,505
Leases - variable	182	364	15	-	561
Firm transportation agreements	287	46	-	-	333
Other agreements	204	102	87	156	549
Total	**67,178**	**512**	**102**	**156**	**67,948**

(1) At March 31, 2025, the non-cancellable contractual obligations of the debt is presented as current as the debt covenants were breached at March 31, 2025 (Notes 2 and 8).

The table above excludes contractual obligations for lease payments which are recorded as lease liabilities on the consolidated statement of financial position (Note 9).

Contingencies

PPR is involved in litigation and claims arising in the normal course of operations.

22. RESTATEMENTS

At December 31, 2024 and in the fourth quarter of 2024, the Company made certain corrections to the prior period financial statements as outlined in Note 24 of the Annual Financial Statements. Prior period comparative information has been restated to reflect those adjustments. Note 24 of the Annual Financial Statements also details the impact to affected prior period financial statements, including March 31, 2024 financial statement line items (unaudited), December 31, 2023 financial statement line items (audited) and interim period results for the three months ended March 31, 2024 financial statement line items (unaudited) of those restatements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dale Miller
Executive Chairman

Glenn Hamilton
Independent Director

Kathy Turgeon
Independent Director

Matthew Shyba
Independent Director

OFFICERS

Dale Miller
Executive Chairman

Richard Greenough
Interim Chief Financial Officer

Amber Wright
Vice President, Operations & Engineering

HEAD OFFICE

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STOCK TRADING

Toronto Stock Exchange ("TSX")
Trading Symbol: **PPR**