

# Prairie Provident Resources Announces First Quarter 2024 Financial and Operating Results and Michichi Property Update

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CALGARY, May 15, 2024 - [Prairie Provident Resources Inc.](#) ("Prairie Provident" or the "Company") (TSX:PPR) announces its operating and financial results for the first quarter ended March 31, 2024. The Company's interim consolidated financial statements and related Management's Discussion and Analysis (MD&A) for the quarter are available on its website at [www.ppr.ca](http://www.ppr.ca) and filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## FIRST QUARTER 2024 FINANCIAL AND OPERATING HIGHLIGHTS

- Production averaged 2,636 boe/d (59% liquids) for the first quarter of 2024, which was 29% or 1,097 boe/d lower than the same period in 2023, due to the previously announced sale of its Evi property and capital constraints, deferred well servicing, and natural declines.
- Operating expenses of \$33.11/boe for the three months ended March 31, 2024, a decrease of \$2.86/boe from the same period in 2023 principally due to the sale of the Evi property, which experienced higher operating costs and partially offset by increases in property and production taxes.
- First quarter 2024 operating netback<sup>1</sup> before the impact of derivatives was \$2.9 million (\$12.01/boe), and \$2.4 million (\$9.99/boe) after realized losses on derivatives, a 36% and a 39% decrease, respectively, relative to the first quarter of 2023. The decrease was a result of lower realized pricing slightly offset by a decrease in royalties and operating costs.
- During the first quarter of 2024, the Company completed the sale of its Evi oil property in northern Alberta and certain non-core Provost assets, resulting in net cash proceeds of \$24.2 million. Of the proceeds received, \$20.0 million (US\$14.8 million) was used to reduce advances under the Company's senior secured credit facility, with the remainder used to increase working capital. These dispositions resulted in a gain of \$2.3 million being recorded in the first quarter.
- The Company recorded a loss of \$4.6 million in the first quarter of 2024, a \$12.5 million decrease from net income of \$7.9 million in the same period in 2023. The decrease was primarily due to non-cash gains of \$13.5 million resulting from the debt-for-equity settlement completed in May 2023. In addition, the decrease was reduced by lower expenses and a gain on property dispositions in the first quarter of 2024.
- The Company has significant tax pool coverage, including approximately \$329 million of non-capital losses.

### Note:

<sup>1</sup> Operating netback is a non-GAAP financial measure and is defined below under "Non-GAAP and Other Financial Measures".

## BASAL QUARTZ DEVELOPMENT OPPORTUNITIES

The Basal Quartz/Ellerslie fairway in south central Alberta has seen a rapid increase in industry drilling activity due to high intensity frac completions. This has resulted in prolific oil wells with publicly disclosed initial production rates that are substantially higher than with conventional completions, generating attractive economics.

The Company's large land position of 167,869 net acres in its Michichi core area has been internally evaluated for Basal Quartz potential. Prairie Provident is excited by the results being achieved by offsetting activity, with direct offset wells having disclosed initial production rates of approximately 800 boe/d. Prairie Provident has identified more than 40 Basal Quartz potential drilling opportunities targeting light/medium oil on its Michichi lands. Management-prepared estimates (based on internally developed type wells) forecast a payout period of approximately eight months and average estimated first year production of approximately

270 boe/d of light/medium oil. These potential drilling opportunities are not booked locations to which any reserves have been attributed in the most recent independent evaluation of Prairie Provident's reserves data, effective December 31, 2023, by Sproule Associates Limited. As at 2023 year-end the Company had 50 booked Banff drilling locations in Michichi.

Production from successful Basal Quartz drilling will be processed through existing Company-owned infrastructure in the Michichi area. Prairie Provident currently owns and operates two oil batteries (one with LACT connection to Inter Pipeline), two natural gas plants with a combined inlet capacity of approximately 10 MMscf/d, three field booster compressor stations, and an extensive pipeline network at Michichi. Owning and controlling key infrastructure within the Basal Quartz/Ellerslie fairway provides Prairie Provident with a competitive advantage for the future development of this play.

## OTHER DEVELOPMENT OPPORTUNITIES

Multilateral open-hole Sparky opportunities exist within the Provost core area that are adjacent to existing Company-owned infrastructure and pipeline connected to its LACT connected oil battery. Internally modelled estimates for these wells forecast a payout period of approximately nine months and estimated first year production of approximately 90 boe/d of light/medium oil.

In the Princess area, numerous optimization and development opportunities remain in several horizons, such as the Ellerslie, Glauconite, and Detrital zones. Openhole multileg Ellerslie locations within Prairie Provident's portfolio of booked locations and potential drilling opportunities, as internally modelled, are forecast to have a payout period of approximately ten months and average estimated first year production of approximately 160 boe/d.

## FINANCIAL AND OPERATING SUMMARY

(\$000s except per unit amounts)	Three Months Ended	
	March 31, 2024	December, 2023
Production Volumes		
Crude oil and condensate (bbl/d)	1,495	2,049
Conventional natural gas (Mcf/d)	6,498	7,374
Natural gas liquids (bbl/d)	58	135
Total (boe/d)	2,636	3,413
% Liquids	59%	64%
Average Realized Prices		
Crude oil and condensate (\$/bbl)	80.75	87.12
Conventional natural gas (\$/Mcf)	2.64	2.10
Natural gas liquids (\$/bbl)	85.21	43.08
Total (\$/boe)	54.17	58.54
Operating Netback (\$/boe) <sup>1</sup>		
Realized price	54.17	58.54
Royalties	(7.80)	(11.00)
Operating costs	(34.36)	(37.51)
Operating netback	12.01	10.03
Realized losses on derivative instruments	(2.02)	(0.96)
Operating netback, after realized losses on derivative instruments	9.99	9.07

### Note:

<sup>1</sup> Operating netback is a Non-GAAP financial measure (see "Non-GAAP and Other Financial Measures" below) calculated as oil and natural gas revenue less royalties less operating costs.

## ABOUT PRAIRIE PROVIDENT

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta. The Company's strategy is to optimize cash flow from our existing assets, providing low risk development, and stable low decline cash flow.

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### *Forward-Looking Statements*

*This news release contains certain statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events or circumstances, are based upon internal assumptions, plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "believe", "expect", "intend", "plan", "budget", "forecast", "target", "estimate", "propose", "potential", "project", "seek", "continue", "may", "will", "should" or similar words suggesting future outcomes or events or statements regarding an outlook.*

*Without limiting the foregoing, this news release contains forward-looking statements pertaining to: Basal Quartz, Sparky and Eilerslie drilling opportunities, including estimated payout periods and first year production on potential Basal Quartz, Sparky and Eilerslie wells; and the processing of production from successful Basal Quartz drilling.*

*Forward-looking statements are based on a number of material factors, expectations or assumptions of Prairie Provident which have been used to develop such statements, but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements, which are inherently uncertain and depend upon the accuracy of such expectations and assumptions. Prairie Provident can give no assurance that the forward-looking statements contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Actual results or events will differ, and the differences may be material and adverse to the Company. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: results from drilling and development activities; consistency with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells (including with respect to production profile, decline rate and product type mix); the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Prairie Provident's reserves volumes; future commodity prices; future operating and other costs; future USD/ CAD exchange rates; future interest rates; continued availability of external financing and internally generated cash flow to fund Prairie Provident's current and future plans and expenditures, with external financing on acceptable terms; the impact of competition; the general stability of the economic and political environment in which Prairie Provident operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Prairie Provident to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Prairie Provident to secure adequate product transportation; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; and the ability of Prairie Provident to successfully market its oil and natural gas production.*

*The forward-looking statements included in this news release are not guarantees of future performance or promises of future outcomes and should not be relied upon. Such statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward- looking statements*

*including, without limitation: reduced access to external debt financing; higher interest costs or other restrictive terms of debt financing; changes in realized commodity prices; changes in the demand for or supply of Prairie Provident's products; the early stage of development of some of the evaluated areas and zones; the potential for variation in the quality of the geologic formations targeted by Prairie Provident's operations; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Prairie Provident or by third party operators; increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and reserves volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and such other risks as may be detailed from time-to-time in Prairie Provident's public disclosure documents (including, without limitation, those risks identified in this news release and Prairie Provident's current Annual Information Form dated April 1, 2024 as filed with Canadian securities regulators and available from the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)) under Prairie Provident's issuer profile).*

*The forward-looking statements contained in this news release speak only as of the date of this news release, and Prairie Provident assumes no obligation to publicly update or revise them to reflect new events or circumstances, or otherwise, except as may be required pursuant to applicable laws. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement.*

### *Non-GAAP and Other Financial Measures*

*This news release discloses certain financial measures that are 'non-GAAP financial measures' or 'supplementary financial measures' within the meaning of applicable Canadian securities laws. Such measures do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS) and, accordingly, may not be comparable to similar financial measures disclosed by other issuers. Non-GAAP and other financial measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes. Readers must not consider non-GAAP and other financial measures in isolation or as a substitute for analysis of the Company's financial results as reported under IFRS. For a reconciliation of each non-GAAP measure to its nearest IFRS measure, please refer to the "Non-GAAP and Other Financial Measures" section of the MD&A.*

*This news release also includes reference to certain metrics commonly used in the oil and natural gas industry, but which do not have a standardized or prescribed meanings under the Canadian Oil and Gas Evaluation (COGE) Handbook or applicable law. Such metrics are similarly provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes.*

*The following is additional information on non-GAAP and other financial measures and oil and gas metrics used in this news release.*

*Operating Netback - Operating netback is a non-GAAP financial measure commonly used in the oil and natural gas industry, which the Company believes is a useful measure to assist management and investors to evaluate operating performance at the oil and natural gas lease level. Operating netbacks included in this news release were determined as oil and natural gas revenues less royalties less operating costs. Operating netback may be expressed in absolute dollar terms or 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 the realized portion of gains and losses on derivative instruments. Operating netback per boe and operating netback, after realized gains (losses) on derivatives per boe are non-GAAP financial ratios.*

### *Oil and Gas Reader Advisories*

#### *Barrels of Oil Equivalent*

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

*cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident sells its production volumes. Boe's may therefore be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency ratio of 6:1, utilizing a 6:1 conversion ratio may be misleading as an indication of value.*

#### *Analogous Information*

*Information in this news release regarding initial production rates from offset wells drilled by other industry participants located in geographical proximity to the Company's lands may constitute "analogous information" within the meaning of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities (NI 51-101). This information is derived from publicly available information sources (as at the date of this news release) that Prairie Provident believes (but cannot confirm) to be independent in nature. The Company is unable to confirm that the information was prepared by a qualified reserves evaluator or auditor within the meaning of NI 51-101, or in accordance with the Canadian Oil and Gas Evaluation (COGE) Handbook. Although the Company believes that this information regarding geographically proximate wells helps management understand and define reservoir characteristics of lands in which Prairie Provident has an interest, the data relied upon by the Company may be inaccurate or erroneous, may not in fact be indicative or otherwise analogous to the Company's land holdings, and may not be representative of actual results from wells that may be drilled or completed by the Company in the future.*

#### *Potential Drilling Opportunities vs Booked Locations*

*This news release refers to potential drilling opportunities and booked locations. Unless otherwise indicated, references to booked locations in this news release are references to proved drilling locations or probable drilling locations, being locations to which Sproule Associated Limited (Sproule) attributed proved or probable reserves in its most recent year-end evaluation of Prairie Provident's reserves data, effective December 31, 2023. Sproule's year-end evaluation was in accordance with NI 51-101 and, pursuant thereto, the COGE Handbook. References in this news release to potential drilling opportunities are references to locations for which there are no attributed reserves or resources, but which the Company internally estimates can be drilled based on current land holdings, industry practice regarding well density, and internal review of geologic, geophysical, seismic, engineering, production and resource information. There is no certainty that the Company will drill any particular locations, or that drilling activity on any locations will result in additional reserves, resources or production. Locations on which Prairie Provident in fact drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, commodity prices, costs, actual drilling results, additional reservoir information and other factors. There is a higher level of risk associated with locations that are potential drilling opportunities and not booked locations. Prairie Provident generally has less information about reservoir characteristics associated with locations that are potential drilling opportunities and, accordingly, there is greater uncertainty whether wells will ultimately be drilled in such locations and, if drilled, whether they will result in additional reserves, resources or production.*

#### *Type Well Information*

*Information contained in this news release regarding estimated payout periods and first year production on potential Basal Quartz, Sparky and Eilerslie wells is based on the Company's internally-defined type wells. Type well information reflects Prairie Provident's expectations and experience in relation to wells of the indicated types, including with respect to costs, production and decline rates. There is no assurance that actual well-related results (including payout periods and first year production) will be in accordance with those suggested by the type well information, or that initial production rates will be indicative of long-term well or reservoir performance or of ultimate recovery. Actual results will differ, and the difference may be material.*

#### *Payout*

*Prairie Provident considers payout on a well to be achieved when future net revenue from the well is equal to the capital costs to drill, complete, equip and tie-in the well. Forecasted payout periods disclosed in this news release are based on the following commodity price and CAD/USD exchange rate assumptions: USD \$75.00/bbl WTI, CAD \$3.00/Mcf AECO, CAD \$1.35-to-USD \$1.00.*

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