PRAIRIE STORM RESOURCES CORP

ANNUAL INFORMATION FORM

Year Ended December 31, 2020

MAY 6, 2021

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GENERAL MATTERS

Glossary of Terms

In this Annual Information Form, the capitalized terms set forth below have the following meanings. Certain terms used but not defined herein, shall have the same meanings as set out in NI 51-101 and NI 51-102, as applicable.

"**AER**" means the Alberta Energy Regulator.

"**Amalgamation**" means the amalgamation of PSEC and SubCo pursuant to the Amalgamation Agreement, which constituted the Qualifying Transaction of the Company.

"**Amalgamation Agreement**" has the meaning given in "*Corporate Structure – Qualifying Transaction*".

"**Annual Information Form**" means this annual information form of Prairie Storm dated May 6, 2021 for the year ended December 31, 2020.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**Board**" or "**Board of Directors**" means the board of directors of the Company.

"**Capital Pool Company**" has the meaning given in the CPC Policy.

"**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the TSXV Exchange Corporate Finance Manual.

"**Cardium**" means the Cardium formation that is a geologic stratigraphic unit of Cretaceous age in the Western Canadian Sedimentary Basin.

"**Circular**" means the information circular of the Company for the upcoming annual meeting of shareholders, which is anticipated to be held on or about June 10, 2021.

"**Common Shares**" means the Common Shares in the capital of the Company.

"**Company**" or "**Prairie Storm"** means Prairie Storm Resources Corp., formerly known as Quendale, and when used in the context of describing the Company's assets and business, includes PSEC.

"**Computershare**" means Computershare Investor Services Inc.

"**COVID-19**" means the novel coronavirus, the global outbreak of which was declared a pandemic by the World Health Organization in March 2020.

"**Financial Statements**" means the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020.

"**GGPPA**" has the meaning set forth under "*Regulatory Framework – Greenhouse Gas and Emissions Regulation*".

"**Glauconite**" means the Glauconite formation that is a geologic stratigraphic unit of Mannville age in the Western Canadian Sedimentary Basin.

"**GHG**" means greenhouse gases.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations.*

"**OPEC**" means the Organization of Petroleum Exporting Countries.

"**Options**" means options to acquire Common Shares.

"**Option Plan**" means the stock option plan for the directors, officers, employees and consultants of the Company, as approved by former Quendale shareholders on October 9, 2020.

"**Preferred Shares**" means the Preferred Shares in the capital of the Company, issuable in series.

"**PSEC**" means Prairie Storm Energy Corp.

"**PSEC Common Shares**" means the former common shares in the capital of PSEC.

"**PSEC Class A Shares**" means the former Class A common shares in the capital of PSEC.

"**PSEC Class B Shares**" means the former Class B common shares in the capital of PSEC.

"**Qualifying Transaction**" means a transaction where a Capital Pool Company acquires "Significant Assets" (as defined in the CPC Policy), other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means and, for the purposes of this Annual Information Form, has the meaning given in "*Corporate Structure – Qualifying Transaction*".

"**Quendale**" means Quendale Capital Corp., a Capital Pool Company incorporated under the BCBCA.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval accessible at www.sedar.com.

"**Sproule**" means Sproule Associates Limited.

"**SubCo**" means 2291479 Alberta Ltd., a former wholly-owned subsidiary of the Company prior to the Amalgamation.

"**TSXV**" means the TSX Venture Exchange.

All dollar amounts set forth in this Annual Information Form are in Canadian dollars unless otherwise indicated. References to "$" or "C$" are to Canadian dollars and references to "US$" are to U.S. dollars.

Except where otherwise indicated, all information in this Annual Information Form is presented as at the end of Prairie Storm's most recently completed financial year, being December 31, 2020.

A reference made in this Annual Information Form to other documents or to information or documents available on a website does not constitute the incorporation by reference into this Annual Information Form of such other documents or such other information or documents, unless otherwise stated.

Abbreviations and Conversions

In this Annual Information Form, the abbreviations set forth below have the indicated meanings:

Oil and Natural Gas Liquids		Natural Gas	
bbls	barrels	Mcf	thousand cubic feet
boe	barrels of oil equivalent	Mcfe	thousand cubic feet equivalent
boe/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day
		MMcf/d	million cubic feet per day
		m^3	cubic metres
		GJ	gigajoule

Others	
AECO	benchmark natural gas price determined at the AECO 'C' hub in southeast Alberta
CO2e	carbon dioxide equivalent
WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma
M$	thousands of dollars
MM$	millions of dollars

Barrel of oil equivalent ("**boe**") amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 Mcf) of natural gas to one barrel of oil (1 bbl). Boe amounts may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Thousands of cubic feet of gas equivalent ("**Mcfe**") amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcfe amounts may be misleading, particularly if used in isolation. A conversion ratio of 1 bbl to 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The following table sets forth certain Standard Imperial Units and International System of Units conversions.

From	To	Multiply By
Mcf	m^3	28.174
Mcf	GJ	1.055
m^3	cubic feet	35.494
bbls	cubic metres	0.159
acres	hectares	0.405
sections	acres	640
sections	hectares	256

Forward-Looking Information and Statements

This Annual Information Form contains certain forward-looking information and forward-looking statements within the meaning of Canadian securities laws (collectively, "forward-looking information"). Forward-looking information relates to future events or future performance and is based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to "reserves" or "resources" contained, among other places, in the "Statement of Reserves Data and Other Oil and Gas Information", which is incorporated by reference into this Annual Information Form, is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves or resources exist in the quantities estimated and that they will be commercially viable to produce in the future. See "*Advisories – Forward-Looking Information*" in the "Statement of Reserves Data and Other Oil and Gas Information". Words such as "plan", "expect", "intend", "believe", "anticipate", "estimate", "may", "will", "could", "potential", and other similar words that indicate events or conditions may occur are intended to identify forward-looking information. This Annual Information Form contains forward-looking information, including, without limitation, information relating to: the Company's future activities, including with respect to its strategy, growth and activity levels and the determinants thereof; competitive conditions and Prairie Storm's ability to position itself in the areas in which it operates; treatment under existing and proposed governmental regulatory regimes, including taxes, environmental and GHG regulations and related abandonment and reclamation obligations and stakeholder consultation requirements; the Company's plans with respect to dividends and the payment thereof; estimates of production volumes; the expected rate of inflation, tax rates, interest rates and foreign exchange rates; the potential for future conflicts of interests; estimates regarding reserves, the production therefrom and the costs associated therewith; estimates regarding future cash flows; hazards and uncertainties associated with the exploration, development and production of oil and natural gas; estimates of the future price of oil, natural gas and natural gas liquids; the Company's ability to market its products; working with and reliance on third parties and co-venturers, and the credit risk of such third parties and co-venturers; the accessibility, availability, proximity and capacity of gathering and processing facilities and pipeline systems; the future price of the Common Shares; the availability and cost of capital; the Company's ability to minimize operational risks; assumptions regarding future capital expenditures, royalties and regulatory compliance costs; the stability of global financial markets; the Company's ability to attract and retain key personnel; the level of insurance required; assumptions regarding weather; the Company's ability to obtain and maintain necessary permits, licences and other approvals; and estimates regarding the Company's growth.

As actual results could vary from forward-looking information, readers should not place undue reliance on forward-looking information. Forward-looking information is based on assumptions related, but not limited, to future commodity prices, currency exchange rates, results and applications of laws and regulations, relationships with third parties, drilling success, production rates, future capital expenditures and access to capital, future operational performance, financial conditions and the availability of labour and services. With respect to estimates of reserves, a key assumption is that the data used by Sproule in their independent reserves evaluation is valid. With respect to future wells, a key assumption is the validity of geological and technical interpretations performed by the Company's technical staff, which indicate that commercially economic volumes can be recovered from the Company's lands. Estimates as to average annual production assume, among other things, that no material unexpected outages occur in the infrastructure the Company relies upon to produce its wells, that existing wells continue to meet production expectations and that future wells scheduled to come on production meet timing and production rate expectations.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations on which they are based will occur. Although the Company's management believes that the expectations in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Forward-looking information necessarily involves both known and unknown risks associated with oil and gas exploration, development, production, transportation and marketing. There are risks associated with the current and potential impacts of the COVID-19 pandemic, the uncertainty of geological and technical data, imprecision of reserve estimates, operational risks, the uncertainty of commodity prices, risks associated with drilling and completions, environmental risks, risks associated with government regulation of the oil and gas industry, risks associated with competition from others for scarce resources and risks associated with general economic conditions affecting the Company and its ability to access sufficient capital. Additional information on these and other risk factors that could affect operational or financial results are included in this Annual Information Form under the heading "*Risk Factors*" and in other reports filed with Canadian securities regulatory authorities.

Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Company is not under any duty to, nor will it, update the forward-looking information after the date of this Annual Information Form to revise such information to actual results or to changes in the Company's plans or expectations, except as required by applicable securities laws.

Any "financial outlook" contained in this Annual Information Form, as such term is defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the BCBCA on February 1, 2018 as "Quendale Capital Corp.", a Capital Pool Company pursuant to the CPC Policy of the TSXV. On June 7, 2018, the Common Shares were listed for trading on the TSXV under the symbol "QOC.P".

In connection with its Qualifying Transaction, as discussed below under "*Corporate Structure – Qualifying Transaction*" and "*Development of the Business – Three Year History*", the Company filed a notice of alteration of its articles of incorporation on December 15, 2020 to change its name to "Prairie Storm Resources Corp.".

The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

The Company's head office address is located at 2000 – 350 7th Avenue SW, Calgary, Alberta, T2P 3N9 and its registered and records office is located at 2600 – 595 Burrard Street, P.O. Box 49314, Three Bentall Centre, Vancouver British Columbia, V7X 1L3.

Qualifying Transaction

The Company entered into a letter of intent on August 26, 2020 with PSEC, a private oil and gas exploration and development company, in respect of a proposed business combination. On November 16, 2020, the Company entered into an amalgamation agreement (the "**Amalgamation Agreement**") with PSEC and SubCo, a wholly owned subsidiary of the Company, providing for the reverse take-over of the Company by the former shareholders of PSEC (the "**Qualifying Transaction**"). A copy of the Amalgamation Agreement is available on the Company's SEDAR profile at www.sedar.com.

On December 16, 2020, the Qualifying Transaction was completed by way of the Amalgamation, whereby, among other things, PSEC amalgamated with SubCo to form a newly amalgamated corporation also named "Prairie Storm Energy Corp.". The Amalgamation was structured as a three-cornered amalgamation and, as a result, PSEC became a wholly-owned subsidiary of the Company.

Pursuant to the Qualifying Transaction, each PSEC Class A Share was exchanged for 1.883233 Common Shares. Following completion of the Qualifying Transaction, holders of PSEC Class A Shares received an aggregate of 143,750,037 Common Shares (representing approximately 97.65% of the then issued and outstanding Common Shares), while former Quendale shareholders held an aggregate of 3,460,000 Common Shares (representing approximately 2.35% of the then issued and outstanding Common Shares).

As a result of the Qualifying Transaction, the Common Shares commenced trading on the TSXV under the symbol "PSEC" on December 21, 2020.

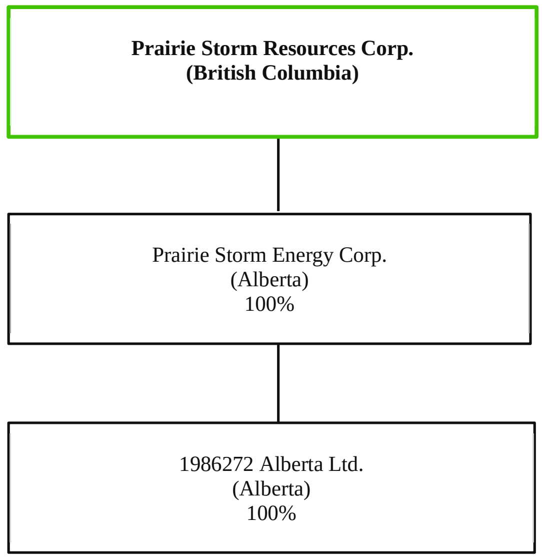
Intercorporate Relationships

As of the date of this Annual Information Form, the Company has two subsidiaries:

1. Prairie Storm Energy Corp., an Alberta corporation and 100% directly owned by the Company; and

2. 1986272 Alberta Ltd., an Alberta corporation and 100% indirectly owned by the Company.

A corporate organizational chart reflecting the intercorporate relationship among the Company and its subsidiaries is set forth below:



Prairie Storm Energy Corp.

PSEC was incorporated under the *Business Corporations Act* (Alberta) on January 21, 2015. On December 16, 2020, pursuant to the Qualifying Transaction, PSEC amalgamated with SubCo under the name of "Prairie Storm Energy Corp.". As a result of the reverse takeover, this Annual Information Form reflects the continuation of PSEC's business operations. See "*Development of the Business*".

1986272 Alberta Ltd.

1986272 Alberta Ltd. was incorporated under the *Business Corporations Act* (Alberta) on August 10, 2016. 1986272 Alberta Ltd. does not conduct any business that is material to the Company's business or assets.

DEVELOPMENT OF THE BUSINESS

The business activities of the Company are entirely carried on by its wholly-owned operating-subsidiary PSEC. As the operating subsidiary, the activities carried on by PSEC, as well as the risks it is subject to, are also considered to be activities carried on by the Company and the risk factors it is subject to and are presented as such in this Annual Information Form. Accordingly, references to the Company in this "*Development of the Business*", as well as in "*Description of the Business*" and "*Risk Factors*" shall include a reference to PSEC unless specifically identified as relating to Quendale.

The Company is a publicly traded junior oil and gas company focused on identifying, acquiring and developing an attractive land base and the production and sale of crude oil, natural gas and natural gas liquids.

Three Year History

PSEC

In October 2018, PSEC entered into an asset exchange agreement whereby it disposed of approximately 650 boe/d of gas weighted production in exchange for $9.5 million of cash, and approximately 250 boe/d of oil focused production, located in the Cardium formation in the Willesden Green area of Alberta.

On June 12, 2020, a group of investors comprised of management, directors and employees of PSEC and certain other investors external to PSEC, completed the purchase of approximately 70,600,000 PSEC Common Shares, being all of the issued and outstanding PSEC Common Shares that were not owned by management, directors or employees of PSEC, for aggregate consideration of approximately $20,000,000 (the "**PSEC Recapitalization**"). PSEC then completed a re-organization whereby the PSEC Common Shares were re-designated as PSEC Class A Shares and a new class of PSEC Class B Shares were created. Certain PSEC Class A Shares were exchanged for an equal number of PSEC Class B Shares, and PSEC returned $5,000,000 to those holders as a return of capital. The PSEC Class B Shares were then subsequently exchanged for an equal number of PSEC Class A Shares. The PSEC Class A Shares and the PSEC Class B Shares were cancelled upon the Amalgamation, and the issued and outstanding common shares in the capital of SubCo were converted into PSEC Common Shares and registered in the name of the Company.

On November 16, 2020, PSEC entered into the Amalgamation Agreement with the Company and SubCo and on December 16, 2020, the Amalgamation was completed and PSEC became a wholly-owned subsidiary of the Company. See "*Corporate Structure*".

The Company

On February 1, 2018, Quendale sold 1,650,000 Common Shares at a price of $0.075 per share for aggregate gross proceeds of $123,750. On May 4, 2018, Quendale sold an additional 360,000 Common Shares at a price of $0.075 per share for aggregate gross proceeds of $27,000. Quendale completed its initial public offering on June 7, 2018, issuing an additional 1,350,000 Common Shares at a price of $0.15 per share for aggregate gross proceeds of $202,500.

Quendale was classified as a Capital Pool Company pursuant to the CPC Policy of the TSXV. As a result, prior to completion of the Qualifying Transaction, Quendale's business was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance for filing by the TSXV.

On December 16, 2020, the Company completed the Qualifying Transaction. See "*Corporate Structure – Qualifying Transaction*". To align the financial years of the Company and PSEC, the Company changed its financial year end from June 30 to December 31. Additionally, following closing of the Qualifying Transaction, all of the directors and officers of the Company tendered their resignations and were replaced as follows: (i) Hugh G. Ross – President, Chief Executive Officer and Director, (ii) Julian Din – Vice President, Business Development and Director; (iii) Bruce Waterman – Director; (iv) Roderick Keith MacLeod – Director; (v) Ketan Panchmatia – Vice President, Finance, Chief Financial Officer and Corporate Secretary; (vi) Michael Schmidt – Vice President, Engineering; and (vii) Greg Groten – Vice President, Exploration. See "*Directors and Executive Officers*".

Following completion of the Qualifying Transaction, the Company has continued to complete minor workovers and optimizations on existing wells while the level of activity for new exploration and development will be highly reliant on commodity prices and strict economic justifications.

Significant Acquisitions in 2020

The Company did not make any significant acquisitions in 2020 for which a "Business Acquisition Report" was required to be filed pursuant to NI 51-102.

DESCRIPTION OF THE BUSINESS

General

Prairie Storm is a junior oil and gas company focused on acquisition, exploration and development activities in the Western Canadian Sedimentary Basin. The Company commenced oil and gas activities in January 2015 and its core management team has previously started and grown several successful junior oil and gas companies.

As part of its long-term business strategy to maximize shareholder value, Prairie Storm seeks predictable long-term growth and sustainable returns through:

- identifying and acquiring strategic, growth-oriented oil and gas assets with proven oil and gas reserves and associated production;
- focusing its activities on low-risk, economically attractive drilling opportunities, infrastructure ownership and growing reserves through proven enhanced oil recovery techniques; and
- leveraging its strong balance sheet and low operating costs to achieve substantiable reserves and production growth.

Property

Prairie Storm has assembled its current land and producing asset holdings through multiple acquisitions completed since 2016. The Company's holdings are located in the Willesden Green (Cardium and Glauconite formations) and Ferrier (Cardium formation) areas in west central Alberta. Prairie Storm holds an average working interest of approximately 70% in a large, primarily contiguous land base of 68,908 gross (49,785 net) acres of petroleum and natural gas rights.

The Company's average annual production in 2020 was approximately 2,137 boe/d, comprised of approximately 623 bbl/d of crude oil, 534 boe/d of natural gas liquids and 5,880 Mcf/d of conventional natural gas. As at December 31, 2020, the Company held interests in 93 (75.4 net) producing oil wells and 25 (16.5 net) producing gas wells, all located in west central Alberta.

Facilities and Infrastructure

Prairie Storm's main assets, located in Townships 39 and 40, Ranges 4 and 5 West of the Fifth Meridian, are the Leafland Cardium Unit No. 2, the Leafland South Cardium Unit No.1, the Willesden Green Glauconitic A Unit No. 1 and the Medicine River Glauconite A Unit No. 1.

Both the Cardium units currently have an active waterflood program and produce light oil, natural gas and associated liquids from the Cardium formation at a depth of approximately 1,850 meters. The Willesden Green Glauconitic A Unit No. 1 has an active water flood program in place, and the Medicine River Glauconite A Unit No. 1 currently has an abandoned water flood scheme that is being reviewed for reactivation. Both Glauconite units produce oil, natural gas, and associated liquids from the Glauconite formation at a depth of approximately 2,250 meters.

In addition to these units, Prairie Storm has various working interests in surrounding non-unitized petroleum and natural gas rights.

Prairie Storm has six facilities that are material to its operations and most provide third party processing revenue to Prairie Storm, each in the Willesden Green area. These six facilities are summarized in the following table:

Facility	Type	Interest	Description
Leafland Storm 13-16 Gas Plant	Gas Plant	78%	Key gas processing for Leafland – Cardium units Dedicated TC Energy Meter station
Leafland 15-31 Gas Plant	Gas Plant	8%	18 MMcf/d plant capacity
Leafland South Cardium Unit No.1	Oil Battery	95%	Cardium unit oil battery Inactive Lease Automatic Custody Transfer (LACT) to Plains
Leafland Cardium Unit No. 2	Oil Battery	79%	Cardium unit oil battery Potential LACT to Plains
Willesden Green Compressor Station	Compressor Station	100%	Key egress point to Rimbey gas plant
Med River Glauconite A Unit No. 1	Oil Battery	100%	Oil processing for Glauconite oil

Operations

The Company's tangible assets and infrastructure are owned by PSEC and its joint venture partners, while the underlying hydrocarbons are produced based on the terms of the freehold and crown leases that govern the land and mineral rights. A majority of Prairie Storm's production and facilities are operated by Prairie Storm employees and contractors, and a minority are operated by Prairie Storm's joint venture partners, depending on the ownership percentage and history of the asset.

Principal Products or Services

Prairie Storm markets its crude oil, natural gas and natural gas liquids production to various third-party marketing companies pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location, or other factors whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period.

In order to reduce the risk of price volatility around these indices, the Company has entered into various financial commodity contracts. For details regarding the Company's forward contracts in place as at December 31, 2020, see the Company's Financial Statements.

Excluding the effects of financial commodity contracts, the Company's average sales price during 2020 was $42.64/bbl for crude oil, $2.21/Mcf for natural gas and $15.61/bbl for natural gas liquids. The following table details Prairie Storm's sales by product during the last two completed financial years:

Product	2020 Revenue ($ 000s)	2019 Revenue ($ 000s)
Crude oil	9,724 (55.5%)	20,170 (72.5%)
Natural gas	3,049 (17.4%)	3,328 (12.0%)
Natural gas liquids	4,747 (27.1%)	4,313 (15.5%)
Total	**17,520**	**27,811**

The Company's revenues derived from its sales of production are highly dependent on market prices for crude oil, natural gas and natural gas liquids. See "*Risk Factors – Commodity Prices*".

Specialized Skills and Knowledge

Prairie Storm relies on the specialized skill and knowledge of its permanent staff to compile, interpret and evaluate technical data, drill and to complete wells, design and operate production facilities and numerous additional activities required to explore for and produce oil, natural gas and natural gas liquids. From time to time, Prairie Storm employs consultants and other service providers to provide complementary experience and expertise to carry out its operations effectively. It is the belief of management of Prairie Storm that its officers and employees, who have significant technical, operational and financial experience in the oil and gas industry, hold the necessary skill sets to successfully execute the Company's business strategy in order to achieve its corporate objectives. See "*Risk Factors – Reliance on Key Personnel*".

Competitive Conditions

The oil and gas industry is intensely competitive and Prairie Storm is required to compete with a substantial number of other entities, the majority of whom have greater technical and financial resources. With the maturing nature of the Canadian oil and gas industry, access to new prospects is becoming increasingly competitive, although Prairie Storm believes that it is well positioned in the areas in which it operates. Prairie Storm's business strategy of developing and growing production in its core areas enables it to maintain certain operating cost advantages and operating efficiencies. Prairie Storm attempts to enhance its competitive position by operating in an area where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing through their familiarity with the areas of operation. By generally maintaining high working interests in its assets, operatorship of its key properties, and control of important facilities and infrastructure, Prairie Storm believes that it will be able to explore for and develop new production and reserves while meeting its objective of increasing its cash flow and reserve base. See "*Risk Factors – Competition*".

Intangible Properties

Prairie Storm does not have any proprietary protection of any of Prairie Storm's products, including patents, copyrights and trademarks, and management does not intend to take any steps to secure proprietary protection.

Seasonal Factors

Activity in the Canadian oil and gas industry is influenced by seasonal weather patterns, which can impact production, costs, and sales pricing. An extremely cold winter can cause freezing at producing facilities or deep snow can make servicing wells difficult. A wet spring can make the ground unstable, resulting in road bans and limit access to well sites and facilities, resulting in reduced operating activities. Weather also has a direct impact on heating and cooling demand, which can alter the price Prairie Storm receives for its products. See "*Risk Factors – Seasonality*".

Economic Dependence

Prairie Storm's business is not substantially dependent on any contract such as a contract to sell the major part of its products or to purchase the major part of its requirements for goods or its raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which its business depends.

Changes to Contracts

The Company does not reasonably expect that its business will be materially affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

Environmental Protection

Environmental protection and requirements play an important part in Prairie Storm's operations and the Company is committed to managing its operations in a safe, environmentally responsible and efficient manner. Environmental considerations and expenditures are included in all budget considerations, with capital and operational programs expected to meet or exceed required environmental standards and regulations. Projects are reviewed for potential environmental liabilities and compliance with applicable regulatory requirements. The Company believes that it is in compliance with applicable existing environmental laws and regulations.

While management is not aware of any environmental protection requirements that are likely to have a material impact on Prairie Storm's capital expenditures, profit or loss and competitive position in the current financial year or in the future, environmental legislation is continually evolving in a manner that is expected to result in stricter standards and enforcement, larger fines and potentially increased capital expenditures and operational costs. There are no assurances that current compliance with regulations and laws will prevent new legislation from having a material effect on future production or development activities, and adversely affecting Prairie Storm's future financial condition. See "*Regulatory Framework*", "*Risk Factors – Climate Change*" and "*Risk Factors – Environmental Laws*".

Employees

As of December 31, 2020, Prairie Storm had 18 full and part-time employees.

Foreign Operations

The Company does not currently conduct any foreign operations.

Reorganizations

Other than as disclosed in "*Corporate Structure – Qualifying Transaction*" and "*Development of the Business – Three Year History*", there have been no material reorganizations of the Company within the three most recently completed financial years or completed during or proposed for the current financial year.

REGULATORY FRAMEWORK

General

The oil and gas industry in Alberta is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and gas industry operations. The regulatory regimes set out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well, facility and pipeline sites. While these legal controls and regulations affect numerous aspects of Prairie Storm's activities, the Company does not believe that they impact its operations in a manner materially different from other comparable businesses operating in Alberta.

See "*Risk Factors – Environmental Risks*" and "*Risk Factors – Climate Change*" for a discussion on the GHG and environmental legislation-related risks faced by the Company.

Greenhouse Gas and Emissions Regulation

Federal

On December 11, 2020, the Government of Canada announced "*A Healthy Environment and a Healthy Economy*" ("**New Federal Climate Plan**"), which aims to exceed the federal government's previous 2030 target for national GHG emissions reductions and to set Canada on a track to net-zero GHG emissions by 2050. The upstream oil and gas industry is expected to contribute a significant amount of the reduction needed to achieve these goals. The New Federal Climate Plan implements a number of specific measures described below, but is also expected to affect the decision-making of all federal government bodies, including federal regulators.

The Government of Canada mandated a pan-Canadian carbon price beginning at $20 per tonne in 2019, rising by $10/tonne per year to $50/tonne in 2022. Pursuant to the New Federal Climate Plan, past 2022 the price on carbon will rise by $15/tonne a year to $170/tonne in 2030. The *Greenhouse Gas Pollution Pricing Act* ("**GGPPA**") introduces a carbon pricing regime on those provinces that fail to impose adequate provincial carbon pricing measures. The New Federal Climate Plan indicates the federal government will review the standard for adequacy of provincial carbon pricing measures under the GGPPA. This may result in the GGPPA applying more broadly to the provinces and territories. Alberta only partially satisfies federal requirements with respect to carbon pricing and is subject to the federal fuel charge pursuant to the GGPPA as of January 1, 2020. The fuel charge is currently $40/tonne of CO2e and will increase to $50/tonne on April 1, 2022. Alberta is not subject to the GGPPA relative to heavy industry emitters and output-based emissions pricing.

In 2020, the Alberta Court of Appeal found the GGPPA unconstitutional, a decision which followed two unsuccessful constitutional challenges of the GGPPA by Saskatchewan and Ontario in 2019. The Alberta, Saskatchewan, and Ontario constitutional challenges were appealed to the Supreme Court of Canada, which heard the case in 2020. On March 25, 2021, the Supreme Court of Canada found the GGPPA to be constitutional, and the GGPPA remains in force in Canada.

The federal *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* ("**Federal Methane Regulations**"), which require reduction of fugitive and vented gas emissions from the upstream oil and gas sector, came into force on January 1, 2020. According to the New Federal Climate Plan, the Government of Canada will report on the effectiveness of the Federal Methane Regulations in 2021 and the stringency of the Federal Methane

Regulations is expected to be increased in 2025, if not sooner. The Federal Methane Regulations, and any comparable provincial regulations, may impose additional costs on the operations of Prairie Storm. See "*Regulatory Framework – Greenhouse Gas and Emissions Regulation – Alberta"* for a discussion of the applicability of the Federal Methane Regulations in Alberta.

The federal government is also developing a Clean Fuel Standard that will require all producers and importers of liquid fossil fuels in Canada to reduce or offset the carbon intensity of the fuels they produce or import. The final version of the regulations implementing the Clean Fuel Standard is expected to come into force in December 2022. The Company will continue to monitor the development of regulations on liquid fossil fuels and assess the potential costs and benefits thereof.

As part of its efforts to provide relief to Canada's oil and gas industry in light of the COVID-19 pandemic, on October 29, 2020, the Government of Canada launched the $750-million Emission Reduction Fund to reduce methane and GHG emissions. The fund will provide repayable funding to eligible onshore and offshore oil and gas companies to support investments to reduce GHG emissions by adopting greener technologies.

The Government of Canada has enacted the *Multi-Sector Air Pollutants Regulation* under the authority of the *Canadian Environmental Protection Act, 1999*, which regulates certain industrial facilities and equipment types, including boilers and heaters used in the upstream petroleum and natural gas industry, to limit the emission of air pollutants such as nitrogen oxides and sulphur dioxide.

Alberta

Alberta's *Technology Innovation and Emissions Reduction Implementation Act, 2019* ("**TIER**") and accompanying regulations, the *Technology Innovation and Emissions Reduction Regulation* (the "**TIER Regulation**"), came into effect on January 1, 2020. The TIER Regulation varies Alberta's system of managing pollution caps and taxes on large emitters. Previously, large emitters were subject to a cap and trade system under the *Carbon Competitiveness Incentive Regulation* which was enacted pursuant to the former *Climate Change and Emissions Management Act*, which was renamed *Emissions Management and Climate Resilience Act* following the implementation of TIER. On December 6, 2019, the Government of Canada approved the TIER Regulation. Accordingly, the regulation of emissions from heavy industry remains subject to provincial regulation.

The TIER Regulation applies to emitters that emit more than 100,000 tonnes of CO2e per year in 2016 or any subsequent year. Emitters can apply for a facility-specific benchmark, under which their 2020 target is to reduce emissions intensity by 10% as measured against that facility's individual benchmark, with a further 1% reduction for each subsequent year. The facility-specific benchmark does not apply to all facilities. Certain facilities, such as those in the electricity sector, are compared against the good-as-best gas standard. Similarly, for facilities that have already made substantial headway in reducing their emissions, a different "high-performance" benchmark is available to ensure that the cost of ongoing compliance takes this into account. Under the TIER Regulation, facilities in high-emitting or trade exposed sectors can opt-in to the program in specified circumstances, including where those facilities compete directly against another TIER-regulated facilities or have annual CO2e emissions that exceed 10,000 tonnes per year and belong to an emissions-intensive or trade exposed sector with international competition, despite the fact that they do not meet the 100,000-tonne threshold. To encourage compliance with the emissions intensity reduction targets, TIER-regulated facilities must provide annual compliance reports and facilities that are unable to achieve their targets may either purchase credits from other facilities, purchase carbon offsets, or pay a levy to the Government of Alberta.

The Government of Alberta aims to lower annual methane emissions by 45% by 2025. Pursuant to this goal, the *Methane Emission Reduction Regulation* came into force on January 1, 2020, and the AER simultaneously released an updated edition of *Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting* ("**Directive 060**"). The release of the updated Directive 060 complements a previously released update to *Directive 017: Measurement Requirements for Oil and Gas Operations* that took effect in December 2018. Together, these updated Directives represent Alberta's first step toward achieving its 2025 goal. In November 2020, the Government of Alberta and the Government of Canada announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

Alberta was also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed $1.24 billion through 2025 to fund two commercial-scale carbon capture and storage projects. Both projects will help reduce the CO2 emissions from the oil sands and fertilizer sectors, and reduce GHG emissions by 2.76 million tonnes per year. On December 2, 2010, the Government of Alberta passed the *Carbon Capture and Storage Statutes Amendment Act, 2010* (Alberta). It deemed the pore space underlying all land in Alberta to be, and to have always been the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions.

Environmental Regulation (Non-Emissions)

General

The AER is the principal regulator responsible for all energy resource development in Alberta. It derives its authority from the *Responsible Energy Development* Act (Alberta) and a number of related statutes, including the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**"), the *Oil Sands Conservation Act* (Alberta), the *Pipeline Act* (Alberta) and the *Environmental Protection and Enhancement Act* (Alberta). The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources, including allocating and conserving water resources, managing public lands and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Surface Rights Board, as well as Alberta Energy's responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its resource development goals. Its approach to natural resource management provides for engagement and consultation with stakeholders and the public and examines the cumulative impacts of development on the environment and communities. While the AER is the primary regulator for energy development, several other governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the Aboriginal Consultation Office and the Land Use Secretariat.

The Government of Alberta's land-use policy for Alberta sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, increased seismicity induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate oil and gas production. The Company routinely conducts hydraulic fracturing in its drilling and completion programs. In recent years, hydraulic fracturing has been linked to increased seismicity in the areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all crude oil and gas producers working in certain areas where the likelihood of increased seismic activity is higher, and implemented the requirements in Subsurface Order Nos. 2, 6 and 7. The regions with seismic protocols in place are Fox Creek, Red Deer and Brazeau (the "**Seismic Protocol Regions**"). The Company does not currently have operations in a Seismic Protocol Region. Oil and gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude. The thresholds vary among the Seismic Protocol Regions, and trigger a sliding scale of obligations from the crude oil or natural gas producers operating there. Such obligations range from no action required, to informing the AER and invoking an approved response plan, to ceasing operations and informing the AER. The AER has the discretion to suspend operations while it investigates following a seismic event until it has assessed the ongoing risk in a specific area and/or may require the operator to update its response plan. The AER may extend these requirements to other areas of Alberta if necessary, subject to the results of its ongoing province-wide monitoring.

Liability Management Rating Program

In Alberta, the AER administers the licensee Liability Management Rating Program (the "**LMR Program**"). The LMR Program governs most conventional upstream oil and gas wells, facilities and pipelines. It consists of three distinct programs: the Licensee Liability Rating Program (the "**LLR Program**"), the Oilfield Waste Liability Program (the "**OWL Program**") and the Large Facility Liability Management Program (the "**LF Program**"). If a licensee's deemed liabilities in the LLR Program, the OWL Program and/or the LF Program exceed its deemed assets in those programs, the licensee must provide the AER with a security deposit. Failure to do so may restrict the licensee's ability to transfer licences. This ratio of a licensee's assets to liabilities across the three programs is referred to as the licensee's liability management rating ("**LMR**").

Complementing the LMR Program, the OGCA establishes an orphan fund (the "**Orphan Fund**") to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the LLR Program and the OWL Program if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. The Orphan Fund was originally conceived to be bankrolled exclusively by licensees in the LLR Program and OWL Program who contribute to a levy administered by the AER. However, given the increase in orphaned oil and gas assets, the Government of Alberta has loaned the Orphan Fund approximately $335 million to carry out abandonment and reclamation work. In response to the COVID-19 pandemic, the Government of Alberta also covered $113 million in levy payments that licensees would otherwise have owed to the Orphan Fund, corresponding to the levy payments due for the first six months of the AER's fiscal year. A separate orphan levy applies to persons holding licences subject to the LF Program. Collectively, these programs are designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines.

As a result of the Supreme Court of Canada's decision in *Orphan Well Association v Grant Thornton* (also known as the "Redwater" decision), receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate's assets. In April 2020, the Government of Alberta passed the *Liabilities Management Statutes*

Amendment Act (Alberta), which places the burden of a defunct licensees' abandonment and reclamation obligations first on the defunct licensee's working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner. These changes will come into force on proclamation.

In response to the increase in orphaned oil and gas sites and the environmental risks associated therewith, the AER amended its *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals* ("**Directive 067**"), which deals with licensee eligibility to operate wells and facilities, to require the provision of extensive corporate governance and shareholder information. All transfers of well, facility and pipeline licences in the province are subject to AER approval. As a condition of transferring existing AER licences, approvals and permits, all transfers are now assessed on a non-routine basis and the AER now requires all transferees to demonstrate that they have an LMR of 2.0 or higher immediately following the transfer, or to otherwise prove to the satisfaction of the AER that they can meet their abandonment and reclamation obligations, such as by posting security or reducing their existing obligations.

Both the Government of Alberta and/or the AER may make further rule changes to Alberta's liability management programs at any time. For example, on July 30, 2020, the Government of Alberta announced a new Liability Management Framework (the "**LMF**") that will replace the LMR Program and its constituent programs. Among other changes under the LMF, the LLR Program will be replaced with the Licensee Capability Assessment System (the "**LCAS**"), which is intended to be a more comprehensive assessment of corporate health and will consider a wider variety of factors than those considered under the LLR Program and will establish clear expectations for industry with regards to the management of liabilities throughout the entire lifecycle of oil and gas projects. The AER currently expects to implement the LCAS in mid-2021. Importantly, the LMF will also provide proactive support to distressed operators and will require mandatory annual minimum payments towards outstanding reclamation obligations in accordance with five-year rolling spending targets.

The Government of Alberta followed the announcement of the LMF with amendments to the *Oil and Gas Conservation Rules* and the *Pipeline Rules* in late 2020. The changes to these rules fall into three broad categories: (a) they introduce "closure" as a defined term, which captures both abandonment and reclamation; (b) they expand the AER's authority to initiate and supervise closure; and (c) they permit qualifying third parties on whose property wells or facilities are located to request that licensees prepare a closure plan.

Changes to the LMF may result in increases to the security that must be held on deposit, which could have a material effect on available capital for Prairie Storm. Changes to the program could also result in changes to the Company's LMR, which may interfere with its's ability to acquire or dispose of assets, as the AER uses this rating to approve the transfer of assets from one company to another.

The AER has published a draft of an amended Directive 067 to implement some of these changes (the "**Draft Directive**"). The changes introduced by the Draft Directive include building on the AER's corporate and financial disclosure requirements for parties who wish to acquire, hold or transfer licences in Alberta, and broadening the AER's discretion to withhold or revoke licensees' privileges if they are assessed as posing an "unreasonable risk". The feedback that the AER receives will be considered in the determination of the final revised Directive 067, and the rollout of its strategy the LMF may require changes to other Directives as well. As a result, transactions may be affected in this period of transition, resulting in delays for licence transfers and regulatory uncertainty as the criteria and requirements for licensees are subject to change.

To address abandonment and reclamation liabilities in Alberta, the AER implements, from time to time, programs intended to encourage the decommissioning, remediation and reclamation of inactive or marginal oil and gas infrastructure. Beginning in 2015, for example, the AER oversaw the Inactive Well Compliance Program, a five-year program intended to address the growing inventory of inactive and noncompliant wells in Alberta. More recently, the AER announced a voluntary area-based closure program in 2018 (the "**ABC Program**"). The ABC Program is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. Participants seeking to participate in the program must commit to an inactive liability reduction target to be met through closure work of inactive assets.

Federal and Provincial Support for Liability Management

As part of an announcement of federal relief for Canada's petroleum and natural gas industry in response to COVID-19, the Government of Canada pledged $1.72 billion to clean up orphan and inactive wells in Alberta, Saskatchewan and British Columbia. These funds are being administered by regulatory authorities in each province. In Alberta, Alberta Energy is disbursing its $1 billion share of the funds through the Site Rehabilitation Program. In addition to the funds administered by the provincial governments, the Government of Canada announced a $200 million loan to the Orphan Fund and in early March 2020, the Government of Alberta announced an extension by up to $100 million of an existing $235 million loan to the Orphan Fund.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks below are not an exhaustive description of all the risks associated with the Company and its operations. Risks are also discussed in the Company's management's discussion and analysis for the year ended December 31, 2020.

Commodity Price Volatility

Prairie Storm's results of operations and financial condition are dependent on the prevailing prices of crude oil, natural gas and natural gas liquids, which have fluctuated widely in the past and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. Oil and gas prices are impacted by a number of factors including, but not limited to: the global supply of and demand for oil and gas; global economic conditions; the actions of OPEC; government regulation; political stability; the ability to transport crude to markets; developments related to the market for liquefied natural gas; the availability and prices of alternate fuel sources; and weather conditions. In addition, significant growth in crude production volumes in western Canada and the northern United States has resulted in pressure on transportation and pipeline capacity, contributing to the widening of the oil pricing differential between WTI and Western Canadian Select, resulting in fluctuations in the price of oil and gas. All of these factors are beyond Prairie Storm's control and can result in a high degree of price volatility.

Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in United States dollars, are stated in Canadian dollars. The Company's financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between the price the Company receives from the sale of light/medium oil and quoted market prices for light/medium oil. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to blend and transport product; and the quality of the oil produced, all of which are beyond Prairie Storm's control.

Fluctuations in the price of commodities and associated price differentials may impact the value of the Company's assets and the ability to maintain its business and to fund growth projects. Prolonged periods of commodity price depression and volatility may also negatively impact Prairie Storm's ability to meet guidance targets and meet all of its financial obligations as they come due. Any substantial and extended decline in the price of oil and gas would have an adverse effect on Prairie Storm's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations, prospects and the level of expenditures for the development of oil and gas reserves, including delay or cancellation of existing or future drilling or development programs or curtailment in production.

Any material or sustained decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities.

Crude oil, natural gas and natural gas liquids prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies and OPEC actions. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to Prairie Storm may, in part, be determined by Prairie Storm's borrowing base. A sustained material decline in prices from historical average prices could reduce Prairie Storm's borrowing base, therefore reducing the bank credit available to Prairie Storm which could require that a portion, or all, of Prairie Storm's bank debt, if any, be repaid.

The Company will conduct regular assessments of the carrying value of its assets in accordance with IFRS. If oil and gas prices decline significantly and remain at low levels for an extended period of time, the carrying value of the Company's assets may be subject to impairment.

COVID-19 Related Impacts

In March 2020, the World Health Organization declared a global pandemic as a result of the COVID-19 outbreak, which led to decreased demand for crude oil worldwide as countries implemented emergency measures, such as lockdowns, to prevent the spread of COVID-19. The significant decrease in global demand for crude oil, coupled with a short-lived international price war in the first half of 2020, resulted in historical lows and increased volatility in crude oil prices. The current economic environment and the ongoing COVID-19 pandemic will continue to impact Prairie Storm and the full extent of the impact is currently unknown, as it will depend on the duration of the COVID-19 pandemic, the timing of COVID-19 vaccines being distributed and its resulting impact on international markets. The recent resurgence of COVID-19 and the recent spread of new variants thereof in certain geographic areas, and the possibility that a resurgence of COVID-19 or the spread of such new or other variants or mutations thereof may occur in other areas, has resulted in the re-imposition of certain of the foregoing restrictions, and may result in further restrictions, by governmental authorities in certain jurisdictions, including in Alberta. This further increases the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and its ultimate impact on the global economy and other items noted above.

The full extent and impact of the COVID-19 pandemic continues to be unknown at this time and the degree to which it may impact Prairie Storm's business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of certainty, including: the duration, severity and geographic spread of COVID-19 and variants and mutations thereof, including in respect of the recent resurgence of the virus and the recent spread of new variants thereof in certain geographic areas, including certain areas in which the Company operates; further actions that may be taken by governmental authorities, including in respect of travel restrictions and business disruptions; the effectiveness and timing of actions taken to contain and treat the COVID-19 virus and variants and mutations thereof, including the vaccines developed in response thereto; and how quickly and to what extent normal economic and operating conditions can resume.

Additionally, the COVID-19 pandemic and its effect on local and global economic conditions could aggravate the other risk factors identified in this Annual Information Form, the extent of which is not yet known.

Capital Lending Markets

As a result of recent economic uncertainties in the oil and gas industry and, in particular, the lack of risk capital available to the junior resource sector, the Company, along with other junior resource entities, may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, Prairie Storm's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the energy industry, generally, and Prairie Storm's securities in particular.

To the extent that external sources of capital become limited, unavailable or available only on onerous terms, the Company's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Markets and Marketing

The marketability and price of oil and gas that may be acquired or discovered by the Company is, and will continue to be, affected by numerous factors beyond its control. The Company's ability to market its oil and gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Company may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and gas and many other aspects of the oil and gas business.

Exploration and Production Risks

Oil and gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Prairie Storm depends on its ability to find, acquire, develop and commercially produce oil and gas reserves. Without the continual addition of new reserves, any existing reserves that the Company may have and the production therefrom will decline over time as such reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore for and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurances can be given that Prairie Storm will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Prairie Storm may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory or developmental drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration or development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, completion, operating, royalty, taxes and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion, operating, royalty, taxes and other costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions or otherwise, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue, cash flow and financial condition levels to varying degrees.

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to natural gas wells, production facilities, other property and the environment or personal injury or loss of life. In particular, the Company may encounter, explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to governments and third parties and may require Prairie Storm to incur significant costs to remedy any such leak. In accordance with industry practice, Prairie Storm is not fully insured against all of these risks, nor are all such risks generally insurable. Although Prairie Storm will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could significantly exceed policy limits, in which event Prairie Storm could incur significant costs that could have a material adverse effect upon its financial condition.

Oil and gas operations are also subject to all the risks typically associated with such operations, including but not limited to encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Fiscal and Royalty Regimes

In addition to federal regulation, each province has legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, geographical location, field discovery data and the type or quality of the petroleum product produced.

Climate Change

Public support for climate change action has grown in recent years, as has the impetus to pursue new technologies to mitigate the effects of climate change. Governments in Canada and around the world have responded by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates.

Prairie Storm has grouped its risks related to climate change into two main categories: physical risks and transition risks. Physical risks have been further sub-divided into acute physical risks (those that are event-driven, including increased severity of extreme weather events) and chronic physical risks (those that relate to longer-term shifts in climate patterns). Transition risks have been further sub-divided into reputational, market, regulatory and policy, legal and technology risks. For a description of the climate change regulation applicable to Prairie Storm, see *"Regulatory Framework – Greenhouse Gas and Emissions Regulation"*.

<u>Physical Risks – Acute</u>

Climate change has been linked to extreme weather conditions. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict or interfere with Prairie Storm's operations, increasing its costs and negatively impacting its production. Moreover, extreme weather conditions may lead to disruptions in Prairie Storm's ability to transport its production, as well as goods and services in its supply chains. Certain of Prairie Storm's properties are located in locations that are proximate to forests and rivers and a wildfire or flood, respectively, may lead to significant downtime and/or damage to such assets which may affect production. At this time, Prairie Storm is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

<u>Physical Risks – Chronic</u>

Climate change has been linked to long-term shifts in climate patterns, including sustained higher temperatures. As the level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. If, due to climate change, sustained higher temperatures shorten the winter season, the Company's business may be impacted negatively as those geographic areas that require winter access may be accessible for a shorter period per year. See also *"Risk Factors – Seasonality"*.

In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storms and fires and prolonged heat waves may, among other things, require Prairie Storm to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to its premises, operations, supply chain, transport needs, and employee safety, which may in turn have a material adverse effect on the Company's business, operations and financial condition. In the event of water shortages or sourcing issues, the Company may not be able to, or will incur greater costs to, carry out hydraulic fracturing.

<u>Transition Risks – Reputational</u>

Prairie Storm's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion towards Prairie Storm or as a result of any negative sentiment towards, or in respect of, Prairie Storm's reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates, as well as their opposition to certain oil and gas projects. Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels which has influenced investors' willingness to invest in the oil and gas industry. See also *"Risk Factors – Changing Investor Sentiment"*.

Transition Risks – Market

Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to reduced demand for the oil, natural gas and natural gas liquids that Prairie Storm produces, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects. See also *"Risk Factors – Alternatives to and Changing Demand for Petroleum Products"*.

Transition Risks – Regulatory and Policy

Climate change policy is evolving at regional, national and international levels and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. Existing and future laws and regulations may impose significant liabilities for a failure to comply with their requirements. Concerns over climate change, fossil fuels, GHG emissions and water and land-use could lead to the enactment of more stringent laws and regulations applicable to the Company. Any new laws and regulations (or additional requirements to existing laws and regulations) could have a material impact on the Company's business, financial condition, results of operations and prospects.

Adverse impacts to Prairie Storm's business as a result of GHG legislation may include, but are not limited to, increased compliance costs, permitting delays, increased operating costs and capital expenditures. Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing Prairie Storm's operating expenses and in the long-term, potentially reducing the demand for oil and gas resulting in a decrease in Prairie Storm's profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes.

Prairie Storm's exploration and production facilities and other operations and activities emit GHGs which requires Prairie Storm to comply with applicable GHG emissions legislation. Prairie Storm is subject to TIER and may become subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. See *"Regulatory Framework – Greenhouse Gas and Emissions Regulation"* for further details.

See also *"Risk Factors – Regulatory"*, *"Risk Factors – Environmental Risks"*, and "*Risk Factors – Carbon Pricing Risk"*.

Transition Risks – Legal

Prairie Storm may become involved in, be named as a party to or be the subject of, various legal proceedings related to climate change. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Québec advocacy group, applied to the Québec Superior Court to certify all Quebecois under 35 as a class in a proposed class action lawsuit against the Government of Canada for climate-related matters. The application was denied, as was the group's appeal to the Quebec Court of Appeal. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and gas producers for alleged climate-related harms.

The Union of British Columbia Municipalities defeated the City of Victoria's motion to initiate a class action lawsuit to recover costs it claims are related to climate change. See also *"Risk Factors – Litigation"*.

Transition Risks – Technology

The adoption of new technologies by Prairie Storm to deal with climate change could require a significant capital investment. See also *"Risk Factors – Cost of New Technologies"*.

Regulatory

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. Prairie Storm's operations require licences from various governmental authorities. There can be no assurances that Prairie Storm will be able to obtain all necessary licences and permits that may be required to carry out exploration and development of its projects. As well, governments may regulate or intervene with respect to price, taxes, royalties and the ability to export oil and gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations, affecting the oil and gas industry could reduce demand for oil and gas, increase costs and may have a material adverse impact on the Company. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in national fiscal policy. See "*Regulatory Framework*".

There can be no assurances that the Company will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties. The further development of the Company's properties requires the applicable regulatory authorities to approve the plans of the Company with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or at all, or the imposition of material conditions by regulatory authorities in connection with the approval, may materially affect the prospects of the Company.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Prairie Storm will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Prairie Storm may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Prairie Storm. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Project Risks

Prairie Storm is expected to manage and participate in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over-runs could make a project uneconomic.

Prairie Storm's ability to execute projects and market oil and gas will depend upon numerous factors beyond Prairie Storm's control, including: the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of storage capacity; the supply of and demand for oil and gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events; currency fluctuations; changes in regulations; the availability and productivity of skilled labour; and the regulation of the oil and gas industry by various levels of government and governmental agencies. Because of these factors, Prairie Storm could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and gas that it produces.

Substantial Capital Requirements and Liquidity

Prairie Storm anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and gas reserves in the future. Prairie Storm's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times, and the Company may require additional financing to carry out such activities. There can be no assurance that debt or equity financing, or cash flow from operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Failure to obtain such financing on a timely basis or at all, could cause Prairie Storm to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Moreover, future activities may require Prairie Storm to alter its capitalization significantly. The inability of Prairie Storm to access sufficient capital for its operations could have a material adverse effect on Prairie Storm's financial condition, results of operations or prospects.

Competition

The Company actively competes for acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, the majority of which have greater technical and financial resources than the Company. The Company's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies and individual producers and operators.

The oil and gas industry is highly competitive. Prairie Storm's competitors for the acquisition, exploration, production and development of oil and gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company.

Prairie Storm's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Changing Investor Sentiment

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation and concerns of Indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and government investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, management and employees of Prairie Storm. Failing to implement the policies and practices as requested by investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, Prairie Storm, may result in limiting Prairie Storm's access to capital, increasing the cost of capital, and decreasing the price and liquidity of Prairie Storm's securities even if Prairie Storm's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of Prairie Storm's assets which may result in an impairment charge.

Cost of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Prairie Storm. There can be no assurance that Prairie Storm will be able to respond to such competitive pressures and implement such technologies on a timely basis, at an acceptable cost or at all. One or more of the technologies currently utilized by Prairie Storm or implemented in the future may become obsolete. In such case, Prairie Storm's business, financial condition and results of operations could be materially adversely affected. If Prairie Storm is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Environmental Laws

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in more stringent standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Prairie Storm to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of Prairie Storm will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Prairie Storm's financial condition, results of operations or prospects.

Also see "*Regulatory Framework – Environmental Regulation (Non-Emissions)*".

Reserve and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids resources, reserves and cash flows to be derived therefrom, including many factors beyond Prairie Storm's control. In estimating reserves, the chance of commerciality is effectively 100%. For prospective resources, the chance of commerciality will be the product of the chance that a project will result in a discovery of petroleum or natural gas and the chance that an accumulation will be commercially developed. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

The reserve and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual future net revenue from the Company's assets will be affected by other factors such as actual production levels, supply and demand for oil and gas, curtailments or increases in consumption by oil and gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates, and such variations could be material.

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond Prairie Storm's control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of recoverable resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and gas and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Geological risking of prospective resources addresses the probability of success for the discovery of petroleum; this risk analysis is conducted independently of probabilistic estimates of petroleum volumes and without regard to the chance of development. Principal risk elements of the petroleum system include: (a) trap and seal characteristics; (b) reservoir presence and quality; (c) source rock capacity, quality and maturity; and (d) timing, migration and preservation of petroleum in relation to trap and seal formation. Geological risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources. Resources estimates may require revision based on actual production experience. Market price fluctuations of natural gas prices may render uneconomic the recovery of the resources.

Natural Disasters, Terrorist Acts, Public Health Crises and Other Disruptions

Natural disasters, wars, terrorist attacks, riots or civil unrest, public health crises, including epidemics, pandemics or outbreaks of new infectious disease or viruses, including COVID-19, and related events, could materially and negatively impact the Company's business, its revenues and ultimately its profitability. Such events or occurrences may have a materially negative affect on one or more factors upon which the Company's business relies, including without limitation the demand for (and therefore the price of) the natural resource products produced by the Company, supply chains to operate its business, and the availability of capital required by the Company to fund its operations.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the Government of Canada has implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system currently applies in provinces and territories without their own system that meets federal standards. See *"Regulatory Framework – Greenhouse Gas and Emissions Regulation"*.

Any taxes placed on carbon emissions may have the effect of decreasing the demand for oil and gas products and at the same time, increasing Prairie Storm's operating expenses, each of which may have a material adverse effect on Prairie Storm's profitability and financial condition. Further, the imposition of carbon taxes puts companies at an economic disadvantage with their counterparts who operate in jurisdictions where there are less costly carbon regulations. See also *"Risk Factors – Climate Change"* and *"Risk Factors – Environmental"*.

Operational Dependence

Other companies may operate some of the assets in which Prairie Storm will have an interest. In such cases, Prairie Storm will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Prairie Storm's financial performance. Prairie Storm's return on assets operated by others may therefore depend upon a number of factors that may be outside of Prairie Storm's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Reliance on Key Personnel

Prairie Storm's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Prairie Storm's business, financial condition, results of operations and prospects. Prairie Storm may not have any key person insurance in effect. The contributions of the management team to Prairie Storm's immediate and near-term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that Prairie Storm will be able to attract and retain all personnel necessary for the development and operation of its business.

Management of Growth

Prairie Storm may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Prairie Storm to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Prairie Storm to deal with this growth could have a material adverse impact on its business, operations and prospects.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/United States dollar exchange rate, which will fluctuate over time. Future Canadian/United States exchange rates could accordingly impact the future value of the Company's reserves as determined by independent evaluators. Furthermore, an increase in interest rates could result in a significant increase in the amount the Company pays to service debt.

Litigation

In the normal course of Prairie Storm's operations, it may become involved in, be named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, Prairie Storm may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put Prairie Storm at competitive risk and may cause significant damage to its business. The harm to Prairie Storm's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, Prairie Storm will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Directors and officers of Prairie Storm may also be directors and officers of other oil and gas companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as directors and officers of Prairie Storm and as directors and officers of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the BCBCA.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Company's exploration and development activities, which could in turn have a material adverse impact on the Company's business, operations and prospects.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Prairie Storm cannot predict the impact of changing demand for oil and gas products, and any major demand changes may have a material adverse effect on Prairie Storm's business, financial condition, results of operations and cash flows.

Expansion into New Activities

In the future, Prairie Storm may acquire or move into new industry related activities or new geographical areas and may acquire different energy related assets, and as a result, may face unexpected risks or alternatively, a significant increase in Prairie Storm's exposure to one or more existing risk factors, which may in turn result in Prairie Storm's future operational and financial conditions being adversely affected.

Market Price and Volatility of Common Shares

Securities of small-cap and mid-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of such companies. These factors include the COVID-19 pandemic, macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of Prairie Storm's Common Shares is also likely to be significantly affected by short-term changes in oil and gas prices, the Canadian/United States dollar exchange rate and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of Prairie Storm that may have an effect on the price of its Common Shares include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Company's Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. In the absence of an active market for the Common Shares, the liquidity of an investor's investment may be limited and the price of the Common Shares may decline below the price at which the Common Shares were issued.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of Prairie Storm. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Prairie Storm may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. See "*Risk Factors – Litigation*".

Forward-Looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under the heading "*General Matters – Forward-Looking Information and Statements*".

DIVIDENDS AND DISTRIBUTIONS

Within the past three years, the Company has not paid any dividends on its Common Shares. The Company has no restrictions on paying dividends, and the Board of Directors will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time. The Company does not anticipate paying any dividends in the immediate or foreseeable future and has no formal dividend policy in place.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Prairie Storm consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares without nominal or par value and issuable in series. As at December 31, 2020, there were 147,410,037 Common Shares issued and outstanding, 11,675,000 Common Shares issuable pursuant to outstanding Options under the Option Plan and no Preferred Shares issued and outstanding.

Common Shares and Preferred Shares

Holders of Common Shares are entitled to: (a) one vote per share at meetings of shareholders of the Company; (b) receive dividends if, as and when declared by the Board of Directors; and (c) receive the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the priority rights of holders of Preferred Shares.

The Company is authorized to issue an unlimited number of non-voting Preferred Shares, issuable in series, having such special rights and restrictions as the Board of Directors may from time to time determine. Holders of Preferred Shares are entitled to priority over the Common Shares with respect to the payments of dividends and the distribution of remaining property and assets of the Company upon its dissolution, liquidation or winding-up.

Options

For a description of the Option Plan of the Company, please see the filing statement of the Company, which may be found on the Company's profile on SEDAR at www.sedar.com.

On April 6, 2021, the Board of Directors approved the amendment and restatement of the Company's Option Plan, subject to receipt of required approval of the shareholders of the Company and acceptance by the TSXV. Further details regarding the amended and restated option plan of the Company will be provided in the Circular under the heading "*Business of the Meeting – Approval of Option Plan*".

Credit Facilities

The Company's credit facilities as at December 31, 2020 consists of PSEC's secured $10 million extendible revolving credit facility due May 31, 2021. At the request of PSEC and with the consent of the bank, the facility may be renewed for a period not to exceed 364 days. The credit facility is available to PSEC for general corporate purposes, including the acquisition of oil and gas properties in Western Canada and for capital expenditures related to its oil and gas properties, providing the Company with additional liquidity and flexibility as required. As at December 31, 2020, PSEC had drawn $nil on its existing credit facility.

MARKET FOR SECURITIES

Trading Price and Volume

Prior to the Qualifying Transaction, the Common Shares were listed for trading on the TSXV under the symbol "QOC.P". At the close of trading on June 9, 2020, the Common Shares were suspended from trading on the TSXV due to Quendale's failure to complete a Qualifying Transaction within twenty-four months of listing. Following completion of the Qualifying Transaction, the Common Shares of the Company were listed for trading on the TSXV under the symbol "PSEC" on December 21, 2020.

The following table sets out the price ranges and volumes of the Common Shares that were traded in the financial year ended December 31, 2020.

	Price Range ($)		Monthly Trading Volume
Month	**High**	**Low**	
January	0.26	0.18	9,000
February	0.31	0.22	30,000
March	0.31	0.31	-
April	0.31	0.31	-
May	0.31	0.24	210,000
June	0.26	0.20	64,250
July	-	-	-
August	-	-	-
September	-	-	-
October	-	-	-
November	-	-	-
December	0.30	0.25	20,000

Prior Sales

During the financial year ended December 31, 2020, the Company issued the following securities that were not listed on an exchange or marketplace:

Date	Securities	Price Per Security	Number of Securities
December 16, 2020	Options	$0.20(1)	11,675,000

Notes:
(1) Issued in connection with the Qualifying Transaction. Price per security represents the exercise price of Options.

ESCROWED SECURITIES

As at the end of the Company's most recently completed financial year, the following securities of the Company are subject to escrow and/or contractual restrictions on transfer:

Securities	Number of Securities Subject to Restrictions	Percentage of Class
Common Shares(1)	1,809,000	1.23%
Common Shares(2)	37,359,260	25.34%

Notes:

(1) Pursuant to the CPC Policy, the 2,010,000 Common Shares issued prior to Quendale's initial public offering are subject to a CPC escrow agreement dated May 7, 2018 with Computershare acting as escrow agent, pursuant to which 1,809,000 Common Shares are still subject and will be released in six equal tranches of 15% every six months, beginning on June 17, 2021.

(2) Pursuant to Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the TSXV, the 41,510,289 Common Shares issued to "Principals" of the Company (as defined in the policies of the TSXV) are subject to a value security escrow agreement dated December 15, 2020 with Computershare acting as escrow agent, pursuant to which 37,359,260 Common Shares are still subject and will be released in six equal tranches of 15% every six months, beginning on June 17, 2021.

DIRECTORS AND OFFICERS

Directors

Each director of Prairie Storm will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the provisions of the BCBCA or the constating documents of Prairie Storm. The following table sets out the name and residence for each director of Prairie Storm as of the date of this Annual Information Form, the date on which they were appointed as a director of Prairie Storm, and their principal occupations during the past five years.

Name and Residence	Date Appointed	Principal Occupation During the Past Five Years
Hugh G. Ross(1)(3) Calgary, Alberta, Canada	December 16, 2020	President, Chief Executive Officer of Prairie Storm since December 2020 President, Chief Executive Officer of PSEC since January 2015
Julian Din(2)(4) Calgary, Alberta, Canada	December 16, 2020	Vice President, Business Development of Prairie Storm since December 2020 Vice President, Business Development of PSEC since January 2015
Roderick Keith MacLeod(1)(2)(3)(4) Calgary, Alberta, Canada	December 16, 2020	Lead Director of Paramount Resources Ltd. Chair of the Canada-Nova Scotia Offshore Petroleum Board Chair of the Advisory Board of Verschuren Centre for Sustainability in Energy and the Environment at Cape Breton University
Bruce G. Waterman(1)(2)(3) Calgary, Alberta, Canada	December 16, 2020	Corporate Director of Ovintiv Inc. Corporate Director of Irving Oil Limited

Notes:

(1) Member of the Audit Committee of the Company, chaired by Mr. Waterman.
(2) Member of the Reserves Committee of the Company, chaired by Mr. MacLeod.
(3) Member of the Corporate Governance, Compensation and Nominating Committee of the Company, chaired by Mr. Waterman.
(4) Member of the Environment, Health and Safety Committee of the Company, chaired by Mr. MacLeod.

Officers

The following table sets out the name, residence, office and principal occupation during the last five years, for each executive officer of Prairie Storm as at the date of this Annual Information Form.

Name and Residence	Office	Principal Occupation During the Past Five Years
Hugh G. Ross Calgary, Alberta, Canada	President, Chief Executive Officer	President, Chief Executive Officer of Prairie Storm since December 2020 President, Chief Executive Officer of PSEC since January 2015
Ketan Panchmatia Calgary, Alberta, Canada	Vice President, Finance, Chief Financial Officer and Corporate Secretary	Vice President, Finance, Chief Financial Officer and Corporate Secretary of Prairie Storm since December 2020 Vice President, Finance, Chief Financial Officer and Corporate Secretary of PSEC since January 2015
Julian Din Calgary, Alberta, Canada	Vice President, Business Development	Vice President, Business Development of Prairie Storm since December 2020 Vice President, Business Development of PSEC since January 2015
Greg Groten Calgary, Alberta, Canada	Vice President, Exploration	Vice President, Exploration of Prairie Storm since December 2020 Vice President, Exploration of PSEC since January 2015
Michael Schmidt Calgary, Alberta, Canada	Vice President, Engineering	Vice President, Engineering of Prairie Storm since December 2020 Senior Exploitation Engineer of PSEC since January 2016

Ownership of Shares

As of the date of this Annual Information Form, the directors and executive officers of the Company, as a group, owned or exercised control or direction over, directly or indirectly, an aggregate of 41,510,289 Common Shares (approximately 28.2% of the issued and outstanding Common Shares).

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

None of the directors or executive officers of the Company was a director, chief executive officer or chief financial officer of any corporation (including the Company) that, at the date of this Annual Information Form or within the 10 years before the date of this Annual Information Form: (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to an exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**Order**"), that was issued while such person was acting in the capacity of director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer.

Other than as disclosed below, none of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this Annual Information Form, or has been, within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder. Mr. MacLeod was a director of Manitok Energy Inc. ("Manitok"), a public oil and gas company, within one year of Manitok filing a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada).

None of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities to affect materially the control of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or by a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Directors and officers of the Company may also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations but only through exercise by the directors and officers of such judgment as is consistent with their fiduciary duties to the Company which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Company. It is expected that all conflicts of interest will be resolved in accordance with the BCBCA. It is expected that any transactions with directors and officers will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Company, and, depending upon the magnitude of the transactions and the absence of any disinterested Board members, may be submitted to the shareholders for their approval.

Audit Committee

Information regarding the Audit Committee of the Board of Directors will be provided in our Circular under the heading "*Audit Committee*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Neither the Company nor any of its subsidiaries is party to or of which their respective property is the subject matter of any material legal proceedings and to the best knowledge of the Company, no such legal proceedings are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no director or executive officer, or any associate or affiliate of these persons has, or has had, any material interest, direct or indirect, in any transaction or any proposed transaction that has materially affected, or is reasonably expected to materially affect, the Company or any of its subsidiaries within the three most recently completed financial years or during the current financial year, other than as disclosed in this Annual Information Form.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare, at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

Other than listed below and other contracts entered into in the ordinary course of business, no contracts material to the Company or its subsidiaries were entered into during the year ended December 31, 2020, nor are there any contracts still in effect that are material to the business of the Company which are currently in effect:

1. the Amalgamation Agreement (see "*Corporate Structure – Qualifying Transaction*");

2. the financing commitment dated November 29, 2016 between PSEC, as borrower, and Canadian Imperial Bank of Commerce, as lender, as amended from time to time, whereby $10,000,000 has been made available from Canadian Imperial Bank of Commerce to PSEC by way of an extendible revolving credit facility;

3. the amended and restated unanimous shareholders agreement dated June 12, 2020 (the "**PSEC USA**") in respect of the business and operations of PSEC and the rights and obligations of the shareholders of PSEC; and

4. the registration rights agreement dated June 12, 2020 (the "**Registration Rights Agreement**") among PSEC and certain shareholders of PSEC, whereby PSEC granted certain prospectus qualification rights to the New Investors (as defined in the Registration Rights Agreement), including demand filing rights, piggyback rights and notice rights in respect of any prospectus filings to effect the sale or distribution to the public of any of the Prairie Storm securities.

The PSEC USA and the Registration Rights Agreement were entered into in connection with the PSEC Recapitalization, and the PSEC USA was terminated in connection with the Qualifying Transaction.

INTERESTS OF EXPERTS

The Company's predecessor auditors were Davidson & Company LLP, who were the auditors of Quendale prior to completion of the Qualifying Transaction and who performed audits in respect of the financial statements of Quendale: (a) as at and for the years ended June 30, 2020 and 2019; (b) as at and for the years ended June 30, 2019 and 2018; and (c) for the period from the date of incorporation (February 1, 2018) to June 30, 2018. Davidson & Company LLP have confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Following completion of the Qualifying Transaction, Davidson & Company LLC resigned as auditor of the Company at the request of the Board of Directors, effective December 16, 2020. The Board of Directors approved the appointment of KPMG LLP as Prairie Storm's auditor effective December 16, 2020.

The Company's auditors are KPMG LLP who performed an audit in respect of: (a) the Financial Statements; and (b) the consolidated financial statements of PSEC as at and for the twelve-month periods ending December 31, 2019 and 2018. KPMG LLP have confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Sproule prepared independent reports in which it evaluated the petroleum and natural gas reserves properties of: (a) PSEC as at December 31, 2019; and (b) the Company as at December 31, 2020. As at the date hereof, none of the partners, employees or consultants of Sproule as a group, through registered or beneficial interests, direct or indirect, held or are entitled to receive more than 1% of any class of Prairie Storm's outstanding securities, including the securities of the Company's associates and affiliates.

Other than as set out above, there is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by them, who was named in the Company's filings made under NI 51-102 during, or related to, the Company's most recently completed financial year.

ADDITIONAL INFORMATION

Additional information regarding the Company may be found under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.prairiestormresources.com.

The Company's Form 51-101F1 – *Statement of Reserves Data and Other Oil and Gas Information*, prepared as at December 31, 2020, Form 51-101F2 – *Report of Independent Qualified Reserves Evaluator* and Form 51-101F3 – *Report of Management and Directors on Oil and Gas Disclosure*, each of which have been filed on SEDAR and are incorporated by reference into this Annual Information Form.

Additional financial information relating to the Company is provided in the Company's Financial Statements for the financial year ended December 31, 2020 and the accompanying management's discussion and analysis for the year ended December 31, 2020.