Prairie Provident Resources Inc.

Management's Discussion and Analysis
For the Three and Nine Months Ended September 30, 2020

Dated: November 12, 2020

Advisories

In this management's discussion and analysis ("MD&A"), unless otherwise indicated or the context otherwise requires, the terms "we", "us", "our", "PPR", "Prairie Provident" and "the Company" refers to Prairie Provident Resources Inc., as parent corporation, together with its wholly-owned subsidiaries, Prairie Provident Resources Canada Ltd., Lone Pine Resources Inc., Lone Pine Resources (Holdings) Inc., Arsenal Energy USA Inc. and Arsenal Energy Holding Ltd.

The following MD&A provides management's analysis of the Company's results of operations, financial position and outlook as at and for the three and nine months ended September 30, 2020. This MD&A is dated November 12, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 (the "Interim Financial Statements"), the audited consolidated financial statements of PPR as at and for the year ended December 31, 2019 (the "2019 Annual Financial Statements") and the 2019 annual MD&A (the "Annual MD&A"). Additional information relating to PPR, including the Company's December 31, 2019 Annual Information Form, is available on SEDAR at www.sedar.com.

All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Unless otherwise noted, all financial information provided herein is reported in Canadian dollars. Production volumes are presented on a working-interest basis, before royalties.

This MD&A contains forward-looking statements and non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosures under the headings "Forward-Looking Statements" and "Non-IFRS Measures" included at the end of this MD&A.

Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

bbl	barrel
bbl/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousands of barrels of oil equivalent
mmboe	millions of barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
mmbtu	million British Thermal Units
GJ	gigajoule
AECO	AECO "C" hub price index for Alberta natural gas
CGU	cash-generating-unit
DD&A	depreciation, depletion and amortization
E&E	exploration and evaluation
GAAP	generally accepted accounting principles
G&A	general and administrative
P&D	production and development
PSU	performance share unit
DSU	deferred restricted share unit
RSU	restricted share unit
WTI	West Texas Intermediate
USD	U.S. dollars
CAD	Canadian dollars
US	United States
CDN	Canadian

Financial and Operational Summary

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per unit amounts)	**2020**	2019	**2020**	2019
Production Volumes				
Crude oil (bbl/d)	**2,931**	4,029	**3,188**	4,051
Natural gas (Mcf/d)	**8,704**	12,092	**9,411**	11,792
Natural gas liquids (bbl/d)	**135**	169	**134**	172
Total (boe/d)	**4,516**	6,214	**4,891**	6,188
% Liquids	**68%**	68%	**68%**	68%
Average Realized Prices				
Crude oil ($/bbl)	**43.70**	61.83	**35.81**	61.81
Natural gas ($/Mcf)	**2.26**	1.14	**2.09**	1.57
Natural gas liquids ($/bbl)	**24.96**	25.53	**22.47**	30.26
Total ($/boe)	**33.47**	43.01	**27.99**	44.29
Operating Netback ($/boe)[2]				
Realized price	**33.47**	43.01	**27.99**	44.29
Royalties	**(3.38)**	(4.85)	**(2.78)**	(4.57)
Operating costs	**(21.79)**	(18.92)	**(20.80)**	(20.86)
Operating netback	**8.30**	19.24	**4.41**	18.86
Realized gains (losses) on derivatives	**6.85**	(0.29)	**9.65**	(1.02)
Operating netback, after realized gains (losses) on derivatives	**15.15**	18.95	**14.06**	17.84

Third Quarter 2020 Financial & Operating Highlights

- Due to the ongoing adverse effects of the COVID-19 pandemic and OPEC+ supply issues, oil prices were significantly depressed throughout the second quarter of 2020, and despite some moderate improvement in the third quarter of 2020 remain significantly lower year-over-year from 2019 levels. PPR's Q3 2020 cash flows were partially protected by our hedging program, which brought in $2.8 million of realized gains for the quarter.

- Production averaged 4,516 boe/d[1] (68% liquids) in the third quarter of 2020, a 27% or 1,698 boe/d decrease from the same period in 2019, primarily driven by natural declines and production shut-ins, partially offset by production from our 2019/2020 drilling program. In response to weak oil prices, PPR permanently shut-in approximately 130 boe/d of uneconomic oil production and suspended our capital program during the second quarter of 2020, and also deferred its workover activities to preserve reserves value and liquidity, which resulted in temporary production loss over the quarter. As oil prices have partially recovered, PPR resumed workover activities in the third quarter of 2020 on select projects that meet our current economic thresholds of less than one-year payout.

- Operating netback[2] after the impact of realized gains on derivatives was $6.3 million ($15.15/boe) for the third quarter of 2020, reflecting a decrease of $4.5 million or 42% from the same period in 2019. Our hedging program provided $2.8 million of realized gains in the third quarter of 2020 which partially mitigated a 29% drop in realized oil prices from the corresponding period in 2019.

- In addition to shutting in uneconomic production, PPR implemented various other cost reduction initiatives including the realignment of field structure, negotiating rate reductions with vendors and suspending workover activities. These cost savings initiatives together with lower production, resulted in a decease in operating expenses of $1.1 million compared to the third quarter of 2019, partially offset by a higher level of workover activities.

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1 Q3 2020 average production is comprised of 2,931 bbl/d of oil, 8,704 Mcf/d of natural gas, and 135 bbl/d of natural gas liquids. Q3 2019 average production included 4,029 bbl/d oil, 12,092 Mcf/d of natural gas, and 169 bbl/d of natural gas liquids.

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

- Net capital expenditures[2] for the third quarter of 2020 were nominal, as PPR suspended its capital program as a result of the current economic environment.

- Effective April 2020, annual salaries for all executives and non-executives have been reduced. Certain employee benefit programs have also been suspended. Collectively, these measures are expected to result in approximately $2.0 million of gross G&A reductions for 2020.

- Adjusted funds flow ("AFF")[1], excluding $0.1 million of decommissioning settlements, was $3.9 million ($0.02 per basic and diluted share) for the third quarter of 2020, a 40% or $2.7 million decrease from the same quarter in 2019. Primary contributors to the decrease were lower production volumes and lower realized oil prices, which were partially offset by a reduction in operating expenses, royalties, G&A expenses and cash interest expenses.

- Net loss totaled $8.3 million in the third quarter of 2020 compared to a net loss of $2.3 million in the same period of 2019, driven primarily by a non-cash unrealized loss on derivative instruments of $3.9 million in the third quarter of 2020 versus an unrealized gain of $5.2 million in the third quarter of 2019. The unrealized loss on derivative instruments was due to a decrease in derivative asset value between June 30, 2020 and September 30, 2020. The decrease in derivative asset value during the third quarter of 2020 was largely due to realizing $2.8 million of gains from contracts settled in the period.

- Net debt[1] at September 30, 2020 totaled $117.6 million, up $6.2 million from December 31, 2019. The increase is attributed to an unrealized foreign exchange loss of $2.0 million, which was driven by a weaker Canadian dollar relative to the US dollar on the Company's US-dollar denominated debt, amortization of deferred financing costs and an increase of $5.3 million in deferred interest on the Company's bank debt, partially offset by a year-to-date AFF[1] that exceeds capital expenditures, finance lease payments and decommissioning settlements.

- A lender redetermination of the senior secured revolving note facility ("Revolving Facility") borrowing base, originally scheduled for the spring of 2020, continues to be temporarily deferred. Until the redetermination is concluded, the Company agreed to direct excess funds, after payment of all operating, G&A and other costs of conducting our business, to the repayment of borrowings on the Revolving Facility and to not make further advances under that facility. PPR also agreed to a 200 basis point ("bps") payment-in-kind margin increase on outstanding advances, payable on maturity of the Revolving Facility.

- The maturity date of the Revolving Facility is April 30, 2021. As the maturity date is within 12 months from September 30, 2020, the total outstanding amount under the Revolving Facility is classified under current liabilities as at September 30, 2020. The Company and our lenders continue to work towards a long-term solution on the credit facilities. The lenders under both the Revolving Facility and the Senior Notes agreed to waive the application of all financial covenants for September 30, 2020.

- At September 30, 2020, PPR had US$57.3 million of borrowings drawn against the US$60.0 million Revolving Facility, comprised of US$30.3 million of CAD-denominated borrowing (equivalent to CAN$40.5 million using the exchange rate at the time of borrowing, plus CAN$0.4 million of deferred interest) and US$27.0 million of USD-denominated borrowing (equivalent to CAN$35.7 million of principal and CAN$0.4 million of deferred interest using the September 30, 2020 exchange rate). In addition, US$34.4 million of Senior Notes (equivalent to CAN$38.0 million of principal and CAN$7.8 million of deferred interest using the September 30, 2020 exchange rate) were outstanding at September 30, 2020, for total borrowings of US$91.7 million (CAN$122.9 million equivalent).

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1 Non-IFRS measure – see below under "Non-IFRS Measures"
2 Net capital expenditures are non-IFRS measures and are defined below under "Other Advisories"

Outlook

The COVID-19 pandemic has resulted in a sharp decline in global economic activity, and consequently, a significant drop in energy demand. There has been a recent resurgence of COVID-19 cases in certain areas and the timing and extent of an eventual economic recovery remains highly uncertain.

The downturn in oil prices has adversely affected PPR's operating results and financial position, although the impact has been somewhat muted given that 80% of our 2020 forecast base oil production (net of royalties) is protected by hedges. Our hedging program has shielded the Company against the severe price deterioration that has occurred during these unprecedented times, underpinning the importance of maintaining liquidity and financial position. After completing the Michichi well in March 2020, PPR has suspended our capital program to preserve liquidity and protect development economics.

Operationally, PPR conducted a bottom-up review of all of our operating expenses and identified and moved forward with immediate reduction opportunities. Operating cost reductions are being realized through rate negotiations, workforce optimizations, shutting-in uneconomic production and the deferral of activities, and are expected to total approximately $2.9 million for the year or $4.0 million on an annualized basis.

In addition, effective April 2020, executive and non-executive salaries and director remuneration was reduced. Certain employee benefit programs have also been suspended. These measures are expected to result in approximately $2.0 million of gross G&A reductions for 2020 or $2.2 million on an annualized basis.

PPR continues to actively monitor and pursue available COVID-19 relief programs, and has to date realized some benefit under the Canada Emergency Wage Subsidy and the Site Rehabilitation Program for federal funding of abandonment and reclamation work.

As a result of the ongoing impacts caused by COVID-19, the Company expects the remainder of 2020 and first half of 2021 to be a challenging time for our industry and for the global economy in general. While PPR cannot control or influence the macro environment, we are committed to maintaining our balance sheet and liquidity through active cost reduction efforts and will continue to work closely with our lenders.

Results of Operations

Production

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Crude oil (bbls/d)	**2,931**	4,029	**3,188**	4,051
Natural gas (Mcf/d)	**8,704**	12,092	**9,411**	11,792
Natural gas liquids (bbls/d)	**135**	169	**134**	172
Total (boe/d)	**4,516**	6,214	**4,891**	6,188
Liquids Weighting	**68%**	68%	**68%**	68%

Average production for the three and nine months ended September 30, 2020 was 4,516 boe/d (68% liquids) and 4,891 boe/d (68% liquids), a decrease of 27% and 21%, respectively, compared to the corresponding periods in 2019. Production decreases resulted from natural declines and production shut-ins, partially offset by production from our 2019/2020 drilling program. In light of the weak oil prices, PPR permanently shut-in approximately 130 boe/d of uneconomic oil production and suspended its capital program during the second quarter of 2020, and also deferred workover activities to preserve reserves value and liquidity which resulted in temporary production loss across the quarter. As oil prices have partially recovered, PPR resumed workover activities in the third quarter of 2020 on select projects that meet our current economic thresholds of less than one-year payout.

During the first quarter of 2020, the Company drilled a Banff development well in the Michichi area which came on production on March 30, 2020, which averaged approximately 80 boe/d (78% liquids weighting) for each of the three and nine months ended September 30, 2020. No new wells were drilled during the second or third quarters of 2020.

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per unit amounts)	**2020**	2019	**2020**	2019
Revenue				
Crude oil	**11,785**	22,919	**31,283**	68,354
Natural gas	**1,809**	1,273	**5,401**	5,040
Natural gas liquids	**310**	397	**825**	1,421
Oil and natural gas revenue	**13,904**	24,589	**37,509**	74,815
Average Realized Prices				
Crude oil ($/bbl)	**43.70**	61.83	**35.81**	61.81
Natural gas ($/Mcf)	**2.26**	1.14	**2.09**	1.57
Natural gas liquids ($/bbl)	**24.96**	25.53	**22.47**	30.26
Total ($/boe)	**33.47**	43.01	**27.99**	44.29
Benchmark Prices				
Crude oil - WTI ($/bbl)	**54.52**	74.59	**51.50**	75.90
Crude oil - Edmonton Light Sweet ($/bbl)	**49.04**	67.87	**42.89**	69.14
Crude oil - WCS ($/bbl)	**42.47**	58.37	**32.99**	59.81
Natural gas - AECO monthly index-7A ($/Mcf)	**2.03**	1.00	**1.96**	1.37
Natural gas - AECO daily index - 5A ($/Mcf)	**2.12**	0.89	**1.98**	1.50
Exchange rate - US$/CDN$	**0.75**	0.76	**0.74**	0.75

PPR's third quarter 2020 revenue decreased by 43% or $10.7 million from the third quarter of 2019, primarily due to decreased production volumes coupled with a decrease in realized crude oil and NGL prices.

Crude oil revenue for the third quarter of 2020 decreased by 49%, compared to the corresponding period in 2019, primarily due to a 27% decrease in crude oil production volumes and a 29% reduction in realized crude oil prices. PPR's product prices generally correlate to changes in the benchmark prices. In the third quarter of 2020, the average WTI price decreased by 27% or $20.07/bbl and the average Edmonton Light Sweet price decreased by 28% or $18.83/bbl, from the average pricing in the third quarter of 2019. During the third quarter of 2020, the WCS to WTI differential narrowed to $12.06/bbl (Q3 2019 - $16.22/bbl), and the Edmonton Light Sweet to WTI differential narrowed to $5.48/bbl (Q3 2019 - $6.72/bbl). Third quarter 2020 natural gas revenue increased by 42% or $0.5 million, compared to the same quarter in 2019, reflecting a 98% increase in realized natural gas prices, partially offset by an 28% decrease in production volumes.

Average realized prices per boe for the third quarter of 2020 decreased by 22% or $9.54/boe from the same quarter of 2019, due to the decreases in the underlying crude oil and natural gas liquids realized prices.

On a year-to-date basis, revenue decreased by 50% or $37.3 million, compared to the same period in 2019. The 54% decrease in crude oil revenue reflected a 21% decline in oil production volumes and a 42% decline in realized crude oil prices. For the nine months ended September 30, 2020, the average WTI price and the average Edmonton Light Sweet price decreased by 32% or $24.40/bbl and 38% or $26.25/bbl, respectively, compared to the same period of 2019. The WCS to WTI differential widened to $18.51/bbl (Q3 2019 - $16.09/bbl), and the Edmonton Light Sweet to WTI differential widened to $8.61/bbl (Q3 2019 - $6.76/bbl). The 7% increase in natural gas revenue reflected a 33% increase in realized natural gas prices, partially offset by a 20% production decrease.

Averaged realized prices per boe for the nine months ended September 30, 2020 decreased by 37% or $16.30/boe, compared to the same period in 2019, resulting from lower crude oil and NGL realized prices.

Royalties

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Royalties	**1,404**	2,770	**3,722**	7,719
Per boe	**3.38**	4.85	**2.78**	4.57
Percentage of revenue	**10.1%**	11.3%	**9.9%**	10.3%

The Company pays royalties to respective provincial governments and landowners in accordance with the established royalty regime. A large portion of PPR's royalties are paid to the Alberta Crown, which are based on various sliding scales that are dependent on incentives, production volumes and commodity prices.

Third quarter 2020 royalties decreased by $1.4 million, compared to the corresponding period in 2019, due to production volumes decreasing by 27% and lower commodity prices.

For the nine months ended September 30, 2020, royalties decreased by $4.0 million, compared to the corresponding period in 2019 as result of an 21% decrease in production volumes and lower commodity prices.

On a percentage of revenue basis, royalties for the three and nine months ended September 30, 2020 decreased compared to the corresponding periods in 2019 due to an overall decline in average realized price.

Commodity Price and Risk Management

PPR enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. PPR considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2020**	2019	**2020**	2019
Realized gain (loss) on derivatives	**2,847**	(167)	**12,928**	(1,721)
Unrealized (loss) gain on derivatives	**(3,879)**	5,194	**8,697**	(3,999)
Total (loss) gain on derivatives	**(1,032)**	5,027	**21,625**	(5,720)
Per boe				
Realized gain (loss) on derivatives	**6.85**	(0.29)	**9.65**	(1.02)
Unrealized (loss) gain on derivatives	**(9.33)**	9.09	**6.49**	(2.37)
Total (loss) gain on derivatives	**(2.48)**	8.80	**16.14**	(3.39)

Realized losses and gains on derivative risk management contracts represent the cash settlements of outstanding contracts while unrealized gains and losses on derivative risk management contracts reflect changes in the mark-to-market positions of outstanding contracts in the current period. Both realized and unrealized gains and losses on derivative contracts vary based on fluctuations related to the specific terms of outstanding contracts in the related period including contract types, contract quantities and fluctuations in underlying commodity reference prices.

The unrealized loss on derivatives recognized for the three months ended September 30, 2020 is primarily related to gains becoming realized in the quarter coupled with a rise in near term WTI futures pricing as at September 30, 2020, compared to June 30, 2020.

The unrealized gain on derivatives recognized for the nine months ended September 30, 2020 is primarily due to a significant decrease in WTI futures pricing as at September 30, 2020, compared to December 31, 2019.

The Company's realized prices are exposed to fluctuations in the US dollar and Canadian dollar exchange rate, which serve as natural hedges to the US dollar denominated debt. Therefore, the Company has entered into commodity hedges predominantly in US dollars to maintain such economic hedges.

As at September 30, 2020, the Company held the following outstanding derivative contracts:

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/bbl
Crude Oil Swaps			
October 1, 2020 - December 31, 2020	US$ WTI	400	$ 50.50
October 1, 2020 - December 31, 2020	US$ WTI	500	$ 55.00
Crude Oil Sold Call Options			
October 1, 2020 – December 31, 2020	US$ WTI	400	$ 60.50
Crude Oil Collars			
October 1, 2020 – December 31, 2020	US$ WTI	175	$49.00/54.75
October 1, 2020 – December 31, 2020	US$ WTI	500	$50.00/59.00
October 1, 2020 – December 31, 2020	US$ WTI	700	$50.00/65.00
Crude Oil Three-way Collars			
January 1, 2021 – March 31, 2021	US$ WTI	200	$45.50/52.50/65.00
January 1, 2021 – December 31, 2021	US$ WTI	650	$40.00/50.00/64.25

Derivative contract counterparties have entered into inter-creditor agreements with the Company's lender to eliminate cash margin requirements.

Operating Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Lease operating expense	**7,252**	8,335	**21,896**	26,911
Transportation and processing	**489**	970	**1,738**	3,650
Production and property taxes	**1,313**	1,512	**4,238**	4,680
Total operating expenses	**9,054**	10,817	**27,872**	35,241
Per boe	**21.79**	18.92	**20.80**	20.86

During the three and nine months ended September 30, 2020, lease operating expenses decreased by 13% or $1.1 million and 19% or $5.0 million, respectively, from the corresponding periods in 2019. In light of weak commodity prices, PPR took swift action to implement various cost reduction initiatives including re-aligning field structure, negotiating rate reduction with vendors, shutting in uneconomic production and suspending workover activities, which collectively resulted in decreased lease operating expenses in the third quarter of 2020. As oil prices began stabilizing, PPR resumed certain workover activities in the third quarter of 2020 that meet economic thresholds of payout in less than one year. As such, the decrease in operating expenses was less dramatic than the decrease seen in the second quarter of 2020.

Transportation and processing expense for the three and nine months ended September 30, 2020 decreased by 50% or $0.5 million and 52% or $1.9 million, respectively, from the corresponding periods in 2019. The decrease was due to lower natural

gas production in the Wheatland and Princess areas, resulting in lower third-party natural gas processing and natural gas transportation costs. In addition, during the first half of 2019 PPR incurred additional trucking costs to reach further oil markets in an effort to diversify its oil differential exposures.

Production and property tax expense for the three and nine months ended September 30, 2020 were relatively consistent with the same periods in 2019.

On a per boe basis, total operating expense for the three months ended September 30, 2020 increased by 15% or $2.87/boe compared to the same period in 2019. The increase was largely due to the fixed component of operating costs distributed over a lower production volume and increased workover costs per boe in the third quarter of 2020 due to the suspension of workover activities in the second quarter of 2020. On a year-to-date basis, 2020 operating expenses per boe were relatively consistent with the comparative period, decreasing by $0.06/boe or 0% from 2019.

Operating Netback

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ per boe)	**2020**	2019	**2020**	2019
Revenue	**33.47**	43.01	**27.99**	44.29
Royalties	**(3.38)**	(4.85)	**(2.78)**	(4.57)
Operating costs	**(21.79)**	(18.92)	**(20.80)**	(20.86)
Operating netback	**8.30**	19.24	**4.41**	18.86
Realized losses on derivatives	**6.85**	(0.29)	**9.65**	(1.02)
Operating netback, after realized losses on derivatives	**15.15**	18.95	**14.06**	17.84

PPR's operating netback after realized gains on derivatives was $15.15/boe and $14.06/boe for the three and nine months ended September 30, 2020, which represents a decrease of $3.80/boe and $3.78/boe, respectively, compared with the corresponding periods of 2019.

For the three months ended September 30, 2020 the operating netback decrease was due to average realized prices declining by $9.54/boe and increased operating expenses of $2.87/boe, partially offset by a $7.14/boe increase in the realized gains on derivatives and a decrease in royalties of $1.47/boe compared to the corresponding three-month period in 2019.

For the nine months ended September 30, 2020, the operating netback decrease was due to average realized prices declining by $16.30/boe, partially offset by a $10.67/boe increase in the realized gains on derivatives, a decrease in royalties of $1.79/boe and operating expenses of $0.06/boe, compared to the corresponding nine-month period in 2019.

General and Administrative Expenses ("G&A")

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Gross cash G&A expenses	**1,241**	2,154	**4,734**	6,926
Gross share-based compensation expense	**89**	192	**268**	610
Less amounts capitalized	**(2)**	(392)	**(184)**	(1,234)
Net G&A expenses	**1,328**	1,954	**4,818**	6,302
Per boe	**3.20**	3.42	**3.60**	3.73

For the three and nine months ended September 30, 2020, gross cash G&A decreased by $0.9 million or 42% and $2.2 million or 32%, respectively, compared to the same periods in 2019. A reduction in employee salaries and benefits as part of the Company's cost reduction initiatives, contributed to a 36% decrease for each the three and nine months ended September 30, 2020, compared with the same periods in 2019. In addition, PPR received grants under the Canadian Emergency Wage Subsidy of $0.1 million and $0.3 million, respectively, during the third quarter and year-to-date 2020 which further contributed to the decrease in G&A expenses for the three and nine months ended September 30, 2020.

Changes in gross share-based compensation expense relate to the number of units granted, the timing of grants, the fair value of units on the grant date, the vesting period over which the related expense is recognized and timing and quantity of forfeitures. Gross stock-based compensation decreased by 54% and 56% for the three and nine months ended September 30, 2020 compared with the same periods in 2019. These decreases corresponded with the lower fair value of new grants.

Capitalized G&A varies with the composition and compensation levels of technical departments and their time attributed to capital projects. Capitalized G&A decreased for the three and nine months ended September 30, 2020 by 99% and 85%, respectively, as compared to the same periods in 2019, given that the Company's capital program has been deferred until economic conditions improve.

Finance Costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Interest expense	**3,142**	2,892	**9,411**	8,466
Amortization of financing costs	**386**	408	**1,104**	1,176
Non-cash interest on financing lease	**155**	247	**519**	797
Non-cash interest on warrant liabilities	**111**	92	**316**	259
Accretion – decommissioning liabilities	**694**	809	**2,081**	2,473
Accretion – other liabilities	**2**	8	**8**	73
Total finance cost	**4,490**	4,456	**13,439**	13,244
Interest expense per boe	**7.56**	5.06	**7.02**	5.01
Non-cash interest and accretion expense per boe	**3.24**	2.74	**3.01**	2.83

Interest expense is primarily comprised of interest incurred related to the Company’s outstanding borrowings. The increase in interest expense of $0.3 million and $0.9 million for the three and nine months ended September 30, 2020, as compared to the respective periods in 2019, related to increased average borrowings and higher effective interest rates on the Company’s Revolving Facility. Despite lower benchmark interest rates in 2020 compared to 2019, the Company's effective interest rates were higher in 2020 primarily due to a 200 bps payment-in-kind margin increase starting in April 2020.

Of the $3.1 million and $9.4 million of interest expense incurred in the three and nine months ended September 30, 2020, $2.0 million and $5.3 million, respectively, were deferred interests on the Senior Notes and the Revolving Facility which will be repaid upon maturity (see Revolving Facility and Subordinated Senior Notes sections below). The weighted average effective interest rate for the three and nine months ended September 30, 2020 was 10.3% and 10.4%, respectively (2019 – 9.6% and 9.7%, respectively).

Accretion on decommissioning liabilities decreased by $0.1 million and $0.4 million during the three and nine months ended September 30, 2020, compared to the same periods in 2019, due to lower risk-free discount rates.

(Gain) Loss on Foreign Exchange

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2020**	2019	**2020**	2019
Realized loss (gain) on foreign exchange	**62**	58	**203**	(100)
Unrealized (gain) loss on foreign exchange	**(1,493)**	932	**2,021**	(2,110)
(Gain) loss on foreign exchange	**(1,431)**	990	**2,224**	(2,210)

Foreign exchange losses (gains) incurred in the three and nine months ended September 30, 2020 related largely to the translation impact on US dollars denominated borrowings (see “Capital Resources and Liquidity” section below).

Exploration and Evaluation ("E&E") Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Exploration and evaluation expense	**255**	223	**1,811**	536
Per boe	**0.61**	0.39	**1.35**	0.32

Exploration and evaluation expenses are comprised of undeveloped land expiries.

Depletion and Depreciation

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s, except per boe)	**2020**	2019	**2020**	2019
Depletion and depreciation	**6,150**	10,224	**21,650**	30,004
Depreciation on right-of-use assets	**526**	686	**1,652**	2,058
Total depletion expense	**6,676**	10,910	**23,302**	32,062
Per boe	**16.07**	19.08	**17.39**	18.98

Depletion and depreciation rates are subject to change based on changes in the carrying value of the asset base, changes in future development costs, reserve updates and changes in production by area. Depletion expenses are calculated using depletion rates and production volumes applicable to each depletable asset. The decrease in the depletion expenses and per boe expenses during the three and nine months ended September 30, 2020, compared to the same periods of 2019 was due to lower production volumes and a decrease in the depletable base as a result of the P&D impairment recognized in the first quarter of 2020 (see "Impairment Loss" section below).

Impairment Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2020**	2019	**2020**	2019
EVI CGU	**—**	—	**51,719**	—
Princess CGU	**—**	—	**5,790**	—
Provost CGU	**—**	—	**12,982**	—
Other CGU	**—**	—	**6,096**	—
Total impairment (recovery) loss	**—**	—	**76,587**	—

As at September 30, 2020, the Company assessed its production and development assets and E&E assets for indicators of impairment or impairment recovery and did not note any indicators of impairment or impairment recovery that resulted in the need to perform impairment tests as at September 30, 2020.

At March 31, 2020, the significant downturn in crude oil benchmark prices was considered an indicator of impairment for the P&D assets. As a result, the Company completed impairment tests on all of its cash generating units ("CGU's"). As a result of the impairment test at March 31, 2020, PPR recognized a non-cash P&D impairment charge of $76.6 million (2019 – $nil) for the three months ended March 31, 2020.

Net Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s except per share)	**2020**	2019	**2020**	2019
Net loss	**(8,276)**	(2,320)	**(93,903)**	(20,345)
Per share – basic & diluted	**(0.05)**	(0.01)	**(0.55)**	(0.12)

Net loss for the third quarter of 2020 was $8.3 million, compared to a net loss of $2.3 million in the same period of 2019. The $6.0 million increase in net loss was primarily due to non-cash items, including a $9.1 million increase in unrealized derivative losses due to changes in the marked-to-market value of open derivative contracts partially offset by a $4.2 million decrease in depletion, depreciation and amortization, $2.4 million increase in unrealized foreign exchange gain, and a $0.5 million increase in change in other liabilities, combined with a $2.7 million decrease in AFF.

Net loss was $93.9 million for the first nine months of 2020, compared to a net loss of $20.3 million in the same period of 2019. The $73.6 million increase in net loss was primarily due to non-cash items including a $76.6 million impairment loss and a $4.1 million increase in unrealized foreign exchange losses, $2.8 million decrease in change in other liabilities, partially offset by a $12.7 million increase in unrealized gain on open derivative contracts and a $8.8 decrease in depletion, depreciation and amortization, combined with a $7.4 million decrease in AFF.

Net Capital Expenditures[1,2]

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2020**	2019	**2020**	2019
Drilling and completion	**(116)**	72	**2,642**	4,311
Equipment, facilities and pipelines	**18**	419	**849**	1,277
Land and seismic	**33**	1,053	**150**	2,234
Capitalized overhead and other	**(4)**	351	**162**	1,028
Total Capital Expenditures	**(69)**	1,895	**3,803**	8,850
Asset dispositions (net of acquisitions)	**(25)**	(14)	**(184)**	(92)
Net Capital Expenditures	**(94)**	1,881	**3,619**	8,758

[1] Net Capital expenditures include expenditures on E&E assets.
[2] Net capital expenditures are non-IFRS measures and are defined below under "Other Advisories"

Capital expenditures (recovery) prior to acquisitions or dispositions for the three and nine months ended September 30, 2020 were $(0.1) million and $3.8 million, respectively. The Company focused its capital activities during the first nine months of 2020 on the Michichi area where it incurred $3.1 million for the drilling and completion of one gross (1.0 net) development well, the installation of a water injection facility and the conversion of one well to injection for a pilot waterflood project. Water injection for the pilot waterflood project commenced in May 2020.

Capital expenditures prior to acquisitions or dispositions for the three and nine months ended September 30, 2019 were $1.9 million and $8.9 million, respectively. The Company focused its capital activities during the first nine months of 2019 in the Evi and Princess areas. In Evi, the Company incurred $2.8 million during the first quarter of 2019 related to the completion, equipping and tie-in of two gross (2.0 net) Slave Point wells, both of which came on production in late February 2019. During the second quarter of 2019, PPR's well in southern Princess was completed and brought on production mid-June 2019. The Company incurred total capital expenditures of $1.6 million to drill, complete, equip and tie-in this new well. During the third quarter of 2019, the Company recompleted one well in the Provost area, conducted facility work in Evi and spend $0.8 million on 3D seismic in the Princess area. Further, PPR acquired undeveloped lands and mineral rights in the Wayne area.

Capitalized overhead decreased for the three and nine months ended September 30, 2020 as compared to the same periods in 2019 as the Company's capital program has been deferred until economic conditions improve.

Decommissioning Liabilities

PPR's decommissioning liabilities at September 30, 2020 were $168.3 million (December 31, 2019 - $167.8 million) to provide for future remediation, abandonment and reclamation of PPR's oil and gas properties. The increase of $0.5 million from year-end 2019 was due to $2.1 million of accretion of decommissioning liabilities and $0.1 million liabilities incurred relating to the newly drilled well. The increase was offset by settlements of decommissioning obligations of $1.4 million and the disposal of decommissioning obligations of $0.3 million.

Changes in estimates result in a corresponding increase or decrease in the carrying amount of the related assets except for certain assets with a zero carrying value, in which case, the amount is immediately recognized in the income statement.

The Company estimated the undiscounted and inflation-adjusted future liabilities of approximately $264.7 million spanning over the next 56 years, based on an inflation rate of 1.7%. Of the estimated undiscounted future liabilities, $15.0 million is estimated to be settled over the next five years. PPR expects that a portion of this spending will be covered by federal funding programs. While the provision for decommissioning liabilities is based on management's best estimates of future costs, discount rates, timing and the economic lives of the assets, there is uncertainty regarding the amount and timing of incurring these costs.

Capital Resources and Liquidity

Capital Resources

Working Capital

At September 30, 2020, the Company had working capital (as defined in "Other Advisories" below) of $3.4 million (December 31, 2019 – $2.2 million). The increase in working capital from December 31, 2019 was the result of lower accounts payable as a result of cost savings initiatives, suspension of the capital program and the deferral of interest payments on bank debt (see Revolving Facility and Subordinated Senior Notes sections below), partially offset by lower accounts receivable and inventory balances due to lower oil prices at September 30, 2020.

Revolving Facility

The maturity date of the senior secured revolving note facility ("Revolving Facility") is April 30, 2021. As the maturity date is within 12 months from September 30, 2020, the total outstanding amount under the facility is classified under current liabilities as at September 30, 2020. The Revolving Facility is denominated in USD, but accommodates CAD advances up to the lesser of CAN$54 million or US$30 million.

As of September 30, 2020, PPR had US$56.8 million (December 31, 2019 – US$57.6 million) of borrowings drawn against the US$60.0 million Revolving Facility, including US$30.0 million of CAD denominated borrowing (CAN$40.5 million equivalent using the exchange rate at the time of borrowing; December 31, 2019 – US$30.0 million or CAN$40.5 million) and US$26.8 million of USD denominated borrowing (CAN$35.7 million equivalent using the September 30, 2020 exchange rate of $1.00 USD to $1.33 CAD; December 31, 2019 – US$27.6 million or CAN$35.8 million using the December 31, 2019 exchange rate of $1.00 USD to $1.30 CAD).

In addition, the Company had deferred interest of CAN$0.4 million (US$0.3 million using the September 30, 2020 month end exchange rate) related to CAD denominated borrowing and CAN$0.4 million (US$0.3 million using the September 30, 2020 month end exchange rate) related to USD denominated borrowing.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of PPR's oil and natural gas properties in accordance with the lenders' customary practices for oil and gas loans. If a borrowing base deficiency exists because of a re-determination, the lender is required to notify the Company of such shortfall. The Company may repay the shortfall amount by either making one installment within 90 days or six equal consecutive monthly installments beginning within 30 days after the Company's receipt of the borrowing base deficiency notice.

A lender redetermination of the Revolving Facility borrowing base, originally scheduled for the Spring of 2020, has been temporarily deferred. The lenders are, however, entitled to proceed with a redetermination at their discretion. The Company agreed to direct excess funds, after payment of all operating, G&A and other costs of conducting our business, to the repayment of borrowings on our Revolving Facility and to not make any requests for further advances under that facility.

Amounts borrowed under the Revolving Facility can be drawn in the form of USD or CAD prime advances bearing interest based on reference bank USD and CAD prime lending rates announced from time to time, or LIBOR advances (in the case of USD amounts) or CDOR advances (in the case of CAD amounts) bearing interest based on LIBOR and CDOR rates in effect from time to time, plus an applicable margin. Applicable margins for the three and nine months ended September 30, 2020 were set at 500 bps. Effective April 1, 2020, PPR agreed to a 200 bps margin increase on outstanding advances, bringing the total margin on the secured debt to 800 bps until such time the borrowing base is redetermined. The 200 bps margin increase is paid-in-kind and added to the outstanding principal of the Revolving Facility and will be repaid upon maturity.

As at September 30, 2020, PPR had outstanding letters of credit of $4.2 million. The letters of credit are issued by a financial institution at which PPR posted a cash deposit to cover letters of credit. The related deposit is classified as restricted cash on the statement of financial position and the balance is invested in short-term market deposits with maturity dates of one year or less when purchased.

As at September 30, 2020, $0.7 million of deferred costs related to the Revolving Facility were netted against its carrying value (December 31, 2019 – $1.3 million).

Subordinate Senior Notes

On October 31, 2017 the Company issued US$16.0 million Senior Notes (CAN$21.3 million using the September 30, 2020 month-end exchange rate of $1.00 USD to $1.33 CAD) due October 31, 2021. In addition, upon closing of the Arrangement on November 21, 2018, PPR issued an additional US$12.5 million (CAN$16.7 million using the September 30, 2020 month-end exchange rate of $1.00 USD to $1.33 CAD) of Senior Notes. Senior Notes outstanding as at September 30, 2020 totaled US$28.5 million (CAN$38.0 million using the September 30, 2020 month end exchange rate of $1.00 USD to $1.33 CAD). Until March 31, 2020, 10% per annum of interest on the Senior Notes was payable in cash, with the remaining 5% per annum deferred and added to the principal payable at maturity on October 31, 2021. Effective April 2020, the Senior Note holders agreed to payment-in-kind of all interest for the payment date of April 30, 2020 and thereafter, such that the entire 15% per annum of interest is deferred and becomes payable upon the maturity date. As at September 30, 2020, total deferred interest was US$5.9 million (CAN$7.8 million using the September 30, 2020 month-end exchange rate of $1.00 USD to $1.33 CAD; December 31, 2019 - US$2.5 million or CAN$3.3 million using the December 31, 2019 month-end exchange rate of $1.00 USD to $1.30 CAD), which is payable upon maturity of the Senior Notes.

In conjunction with the issuances of the Senior Notes, the Company issued a total of 8,318,000 warrants. Concurrent with the issuance of the October 31, 2017 Senior Notes, the Company issued 2,318,000 warrants with an exercise price of $0.549 and a five-year term expiring October 31, 2022. Effective November 29, 2018, the exercise price of the 2,318,000 warrants issued on October 31, 2017 were adjusted down to $0.473 from $0.549 pursuant to their terms. Concurrent with the issuance of the November 21, 2018 Senior Notes, the Company issued 6,000,000 warrants with an exercise price of $0.282 expiring on October 31, 2023.

The warrants are classified as financial liabilities due to a cashless exercise provision and are measured at fair value upon issuance and at each subsequent reporting period, with the changes in fair value recorded in the consolidated statement of income (loss). The fair value of these warrants is determined using the Black-Scholes option valuation model. The value of the warrant liability as at September 30, 2020 was $nil million (December 31, 2019 - $0.1 million).

As at September 30, 2020, $0.6 million of deferred costs related to PPR's Senior Notes were netted against its carrying value (December 31, 2019 – $0.9 million).

Covenants

The lenders under both the Revolving Facility and the Senior Notes agreed to waive the application of all financial covenants for September 30, 2020.

Shareholders' Equity

At September 30, 2020, PPR had consolidated share capital of $136.3 million (December 31, 2019 – $136.0 million) and had 172.1 million (December 31, 2019 – 171.4 million) outstanding common shares. The Company also had 4.8 million (December 31, 2019 – 4.8 million) warrants outstanding from a bought deal financing and a private placement completed in October 11, 2018. Each warrant entitled the holder to purchase one PPR share at a price of $0.50 until October 11, 2020, subject to adjustment in certain circumstances. Upon the expiry date of October 11, 2020, no warrants were exercised.

In the first quarter of 2020, the Company granted 2.6 million options to officers and employees. As at September 30, 2020, 6.6 million (December 31, 2019 – 3.9 million) options were outstanding with a weighted average strike price of $0.31 per share, of which 2.5 million were exercisable at a weighted average strike price of $0.63 per share. Options vest evenly over a three-year period and expire five years after the grant date. During the first quarter of 2020, the Company also granted 1.0 million restricted share units (“RSUs”) to officers and employees. RSUs vest evenly over a three-year period. As at September 30, 2020, 2.9 million (December 31, 2019 – 3.2 million) RSUs were outstanding. DSUs vest in their entirety on the grant date and will be settled when a director ceases to be a member of the board of directors. As at September 30, 2020, 2.3 million (December 31, 2019 – 2.3 million) DSUs were outstanding. During the first quarter of 2020, the board of directors agreed to reduce their future remuneration by the amount that would be otherwise issuable in DSUs.

As of the date of this MD&A, there are 172.1 million common shares, 2.9 million RSUs, 6.6 million stock options, 2.3 million DSUs, and nil outstanding warrants.

Capital Management, Liquidity and Going Concern

PPR’s objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Company considers its capital structure to include shareholders’ equity, bank debt and working capital. The Company monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its oil and gas properties. Adjustments are made on an ongoing basis in order to meet its capital management objectives. Modifications to PPR’s capital structure can be accomplished through issuing common shares, issuing new debt or replacing existing debt, adjusting capital spending and acquiring or disposing of assets, though there is no certainty that any of these additional sources of capital would be available if required, especially in the current economic environment.

Except for the non-current portion of lease liabilities, long-term other liabilities and non-current portion of bank debt, all of the Company’s financial liabilities are due within one year from September 30, 2020. At September 30, 2020, PPR's has working capital (as defined in “Other Advisories” below) of $3.4 million (December 31, 2019 – $2.2 million). The Company believes that our derivative contracts, combined with our initiatives to reduce our capital, operating and G&A expenses, will provide the necessary liquidity to meet our short-term operational needs. However, the Revolving Facility matures on April 30, 2021 and if not extended, the facility will cease to revolve and all outstanding advances will be repayable on the maturity date. Additionally, the Senior Notes mature on October 31, 2021. There is no assurance that the Company will be able to further renew, extend or replace the Revolving Facility or Senior Notes on terms that are favorable to the Company. The Company and its lenders continue to work towards a long-term solution on the Company's debt financing.

Further or prolonged deterioration in commodity prices, credit and equity markets due to COVID-19 will negatively impact the Company’s liquidity and its ability to refinance its credit facilities. As such, the Company continues to pursue additional opportunities to access additional credit, credit support from recently announced programs from the Federal Government of Canada and is evaluating other sources of liquidity during the uncertain times created by the COVID-19 crisis.

This MD&A has been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that PPR will be able to realize its assets and discharge its liabilities in the normal course of business. The oil and natural gas commodity price environment has been extremely volatile and depressed over the last few years. PPR has, to the best of its ability, managed through this low commodity price environment by maintaining an active risk management program and by managing a capital program with cash flows, debt and equity capital. However, the recent downfalls in global oil prices resulted in deterioration in the fair value of its reserves and the Company’s projected cash flows over the next 12 months. Such forecasts may change based upon actual revenue received during the year, changes in future oil and natural gas pricing and future business plans.

A lender redetermination of the Revolving Facility borrowing base, originally scheduled for March 31, 2020, has been temporarily deferred. The lenders are, however, entitled to proceed with a redetermination at their discretion. The lenders also have sole discretion on the determination of the borrowing base, which is based predominately on the amount of the Company’s proved developed producing oil and natural gas reserves. The current state of the Canadian energy industry coupled with significant declines in commodity prices since December 31, 2019 have negatively impacted the available amount of credit facilities within the industry. At current forecasted forward prices for crude oil Management is forecasting a breach in certain covenants within the next 12 months. Furthermore, there are no assurances that the lenders will maintain the borrowing base at current levels, which may result in a borrowing base shortfall. If the Company cannot repay a borrowing base shortfall, it would represent an event of default under both the Revolving Facility and the Senior Notes. In such case, the lenders have the right to demand immediate repayment of all amounts owed under both facilities.

Due to these factors, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. This MD&A does not include adjustments to the recoverability and classification of recorded asset and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

Off Balance Sheet Transactions

There were no off-balance sheet transactions entered into during the period, nor are there any outstanding as of the date of this MD&A.

Contractual Obligations and Commitments

For the three and nine months ended September 30, 2020, there was no material change to the Company's commitments or contractual obligations as disclosed in the Annual Financial Statements.

Supplemental Information

Financial – Quarterly extracted information

($000 except per unit amounts)	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Production Volumes								
Crude oil (bbl/d)	2,931	3,179	3,456	3,715	4,029	4,230	3,892	4,042
Natural gas (Mcf/d)	8,704	9,351	10,186	11,169	12,092	11,709	11,568	10,523
Natural gas liquids (bbl/d)	135	141	127	149	169	204	142	141
Total (boe/d)	4,516	4,879	5,281	5,725	6,214	6,386	5,962	5,937
% Liquids	68 %	68 %	68 %	67 %	68 %	69 %	68 %	70 %
Financial								
Oil and natural gas revenue	13,904	8,333	15,272	23,076	24,589	27,331	22,895	13,542
Royalties	(1,404)	(1,033)	(1,285)	(2,367)	(2,770)	(3,148)	(1,801)	(1,902)
Unrealized (loss) gain on derivatives	(3,879)	(15,029)	27,605	(6,619)	5,194	5,316	(14,509)	26,968
Realized gain (loss) on derivatives	2,847	8,085	1,996	(448)	(167)	(1,427)	(127)	(1,269)
Revenue net of realized and unrealized gains (losses) on derivatives	11,468	356	43,588	13,642	26,846	28,072	6,458	37,339
Net (loss) earnings	(8,276)	(17,559)	(68,068)	(12,734)	(2,320)	3,235	(21,260)	(3,532)
Per share – basic	(0.05)	(0.10)	(0.40)	(0.07)	(0.01)	0.02	(0.12)	(0.02)
Per share – diluted	(0.05)	(0.10)	(0.40)	(0.07)	(0.01)	0.01	(0.12)	(0.02)
AFF [1]	3,818	4,570	231	4,684	6,196	6,321	1,248	(5,346)
Per share – basic	0.02	0.03	—	0.03	0.04	0.04	0.01	(0.04)
Per share – diluted	0.02	0.03	—	0.03	0.04	0.02	0.01	(0.04)
AFF excluding decommissioning settlements [1]	3,912	5,221	935	4,810	6,570	6,626	4,244	(4,691)
Per share – basic	0.02	0.03	0.01	0.03	0.04	0.04	0.02	(0.03)
Per share – diluted	0.02	0.03	0.01	0.03	0.04	0.02	0.02	(0.03)

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

Over the past eight quarters, the Company's oil and natural gas revenue has fluctuated primarily due to changes in production and movement in commodity prices. The Company's production has varied due to its capital development program at its core areas, the Arrangement with Marquee and natural declines. Movements in oil and natural gas revenue attributable to fluctuations in commodity prices were partially offset by realized gains/losses on derivatives. Significant swings in unrealized gains/losses on derivatives occurred due to fluctuations in forward prices at each period end. With the exception of the second quarter of 2019, the Company incurred net losses in several quarters due to non-cash expenses, including unrealized derivative losses, impairments to D&P and E&E assets, DD&A, accretion expense and foreign exchange losses related to the US dollar

denominated borrowings. The Company has maintained positive AFF in all the quarters, with the exception of the fourth quarter of 2018. Negative AFF in the fourth quarter of 2018 was the result of significant widening in Canadian oil differentials which resulted in a substantial reduction in realized revenue.

Third quarter 2020 oil and natural gas revenue increased from the prior quarter mainly due to higher realized prices per boe partially offset by decreased production volumes. Though the Company realized $3.9 million of AFF (before decommissioning settlements of $0.1 million), a net loss of $8.3 million was recorded in the third quarter of 2020 due to non-cash items including a $3.9 million unrealized loss on derivatives, a $3.4 million non-cash finance costs and a $6.7 million of depletion and depreciation expense, partially offset by a unrealized foreign exchange gain of $1.5 million.

Second quarter of 2020 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. Though the Company realized $5.2 million of AFF (before decommissioning settlements of $0.7 million), a net loss of $17.6 million was recorded in the second quarter of 2020 due to non-cash items including a $15.0 million unrealized loss on derivatives, a $4.1 million non-cash finance costs and a $7.1 million of depletion and depreciation expense, partially offset by a unrealized foreign exchange gain of $3.5 million.

First quarter of 2020 oil and natural gas revenue decreased from the prior quarter mainly due to lower realized prices per boe coupled with decreased production volumes. Though the Company realized $0.9 million of AFF (before decommissioning settlements of $0.7 million), a net loss of $68.1 million was recorded in the first quarter of 2020 due to non-cash items including an asset impairment of $77.3 million, a $7.0 million unrealized foreign exchange loss, a $1.4 million non-cash finance costs and a $9.6 million of depletion and depreciation expense, partially offset by a gain on derivatives of $27.6 million.

Fourth quarter 2019 oil and natural gas revenue decreased from the prior quarter primarily due to lower production volumes, partially offset by higher realized average realized prices per boe. Though the Company realized $4.8 million of AFF (before decommissioning settlements of $0.1 million), a net loss of $12.7 million was recorded in the fourth quarter of 2019 due to non-cash items including an unrealized loss on derivatives of $6.6 million, $2.0 million non-cash finance costs and $10.5 million of depletion and depreciation expense, partially offset by a $1.5 million unrealized foreign exchange gain and an impairment recovery of $0.4 million.

Third quarter 2019 oil and natural gas revenue decreased from the prior quarter primarily due to lower realized oil and natural gas prices as a result of falling benchmark prices. Though the Company realized $6.6 million of AFF (before decommissioning settlements of $0.4 million), a net loss of $2.3 million was recorded in the third quarter of 2019 due to non-cash items including a $1.0 million unrealized foreign exchange loss, $2.1 million non-cash finance costs and $10.9 million of depletion and depreciation expense, partially offset by an unrealized gain on derivatives of $5.2 million.

Second quarter 2019 oil and natural gas revenue increased from the prior quarter primarily due to a full quarter of production from the Arrangement, the Company's successful drilling program and a rise in crude oil prices. Realized losses on derivatives incurred in the second quarter of 2019 was attributed to the strengthening in oil prices. Net earnings of $3.2 million in the second quarter of 2019 was attributable to AFF of $6.6 million (before decommissioning settlements of $0.3 million), partially offset by the aggregate impact from non-cash items including $5.3 million of unrealized gain on derivatives, $1.8 million of unrealized foreign exchange gain, a $3.3 million reduction in other liabilities, $2.1 million of non-cash finance costs and $11.2 million of depletion and depreciation expense.

First quarter 2019 oil and natural gas revenue increased significantly from the prior quarter primarily due to a full quarter of production from the Arrangement and recovery of crude oil prices. Net loss of $21.3 million in the first quarter of 2019 was largely the result of non-cash items including an unrealized loss on derivatives of $14.5 million and $10.0 million of depletion and depreciation expense.

Fourth quarter 2018 oil and natural gas revenue decreased significantly from the prior quarter due to lower realized oil and natural gas prices as a result of falling benchmark prices and widened Canadian crude oil differentials, partially offset by higher production. The net loss of $3.5 million in the quarter was attributable to non-cash items including losses on property dispositions of $7.8 million, impairment losses of $5.5 million and $5.1 million of depletion and depreciation expense.

Internal Control over Financial Reporting and Officer Certifications

Other than PPR's response to COVID-19, there have been no changes to internal control over financial reporting ("ICFR") during the three and nine months ended September 30, 2020 that have materially affected or are reasonably likely to materially affect ICFR.

Due to the COVID-19 pandemic, PPR has implemented social distancing measures which require office employees to work remotely. Although these measures may affect the performance of internal controls throughout the Company, they will be monitored to mitigate any risks associated with changes in its control environment with a view to maintaining the effectiveness of ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Accounting Policies

PPR did not adopt any new accounting standards and pronouncements during the three and nine months ended September 30, 2020.

Operational and Other Risk Factors

PPR's operations are conducted in the same business environment as most other Canadian oil and gas operators and the business risks are very similar. Significant risks are summarized in the Annual MD&A and in the "Risk Factors" section of the 2019 Annual Information Form filed on SEDAR at www.sedar.com. The following discussion summarizes new or modified risk factors in light of recent events.

Impact of the COVID-19 Pandemic

PPR's business, financial condition and results of operations could be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which we have operations, suppliers, customers or employees, including the global outbreak of the COVID-19 pandemic and the ongoing uncertainty as to the extent and duration of the pandemic. This ongoing COVID-19 pandemic, and actions that have, and may be taken by governmental authorities in response thereto, has resulted, and may continue to result in, among other things: increased volatility in financial markets and foreign currency exchange rates; disruptions to global supply chains; labour shortages; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings greater than a certain number of individuals, shelter-in- place declarations and quarantine orders, business closures and travel bans; an overall slowdown in the global economy; political and economic instability; and civil unrest. In particular, the COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, commodities that are closely linked to PPR's financial performance. The recent resurgence of COVID-19 cases in certain geographic areas, and the possibility that a resurgence may occur in other areas, has resulted in the re-imposition of certain restrictions noted above by local authorities. This further increases the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and the resultant impact on commodity demand and prices. A prolonged period of decreased demand for, and prices of, these commodities, and any applicable storage constraints, could also result in us voluntarily curtailing or shutting in production, which could adversely impact our business, financial condition and results of operations. PPR is also subject to risks relating to the health and safety of our people, as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak, increased labour and fuel costs, and regulatory changes. Such a suspension in operations could also be mandated by governmental authorities in response to the COVID-19 pandemic. This could negatively impact PPR's production for a sustained period of time, which would adversely impact our business, financial condition and results of operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

Continued Weakness and Volatility in Commodity Prices

Recent market events and conditions, including excess global crude oil and petroleum products supply as a result of decreased global demand due to the COVID-19 pandemic, have caused significant weakness and volatility in commodity and petroleum products prices. Commodity prices could remain under pressure for a prolonged period and continue to be volatile. Continued weakness in commodity prices could have significant adverse impact on PPR, including but not limited to: material declines in revenue and cash flows, a reduced capital program which in turns negative impact future production, increased impairment charges, inability to comply with financial covenants within our credit agreements and increased restructuring costs as the Company re-aligns its organization structure. Furthermore, continued depressed commodity prices could result in reduced utilization and/or the suspension of operations at certain of our facilities, buyers of our products declaring force majeure or

bankruptcy, the unavailability of storage, and disruptions of pipeline and other transportation systems for our products, which would further negatively impact PPR's production volume, and could adversely impact our business, financial condition and results of operations.

Forward-Looking Statements

Certain statements and information in this MD&A may constitute forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements regarding the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "could," "believe," "anticipate," "intend," "plan," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements with respect to, among other things:

- estimates of the Company's oil and natural gas reserves;
- estimates of the Company's future oil, natural gas and NGL production, including estimates of any increases or decreases in the Company's production;
- estimates of future capital expenditures;
- estimates and judgements related to common shares and preferred shares valuations;
- the Company's future financial condition and results of operations;
- the source of funding for the Company's activities, including development costs;
- the Company's ability to meet its capital commitment;
- the Company's future revenues, cash flows and expenses;
- the Company's access to capital and expectations with respect to liquidity and capital resources;
- the Company's future business strategy and other plans and objectives for future operations;
- the Company's future development opportunities and production mix;
- the Company's outlook on oil, natural gas and NGL prices;
- the anticipated benefits of merger and acquisitions;
- the Company's ability to incur CEE;
- the amount, nature and timing of future capital expenditures, including future development costs;
- the Company's ability to access the capital markets to fund capital and other expenditures;
- the Company's expectations regarding the Company's ability to raise capital and to add reserves and grow production through acquisitions, exploration and development;
- the Company's assessment of the Company's counterparty risk and the ability of the Company's counterparties to perform their future obligations; and
- the impact of federal, provincial, territorial and local political, legislative, regulatory and environmental developments in Canada.

PPR believes the expectations and forecasts reflected in the Company's forward-looking statements are reasonable, but PPR can give no assurance that they will prove to be correct. Readers are cautioned that these forward-looking statements can be affected by inaccurate assumptions and are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control, incident to the exploration for and development, production and sale of oil and natural gas. When considering forward-looking statements, you should keep in mind the assumptions, risk factors and other cautionary statements that include, among other things:

- the volatility of oil, natural gas and NGL prices, and the related differentials between realized prices and benchmark prices;
- a continuation of depressed natural gas prices;
- the availability of capital on economic terms to fund the Company's significant capital expenditures and acquisitions;
- the Company's ability to obtain adequate financing to pursue other business opportunities;
- the Company's ability to reach an agreement with counterparties to new financing arrangements on terms and conditions that are acceptable to the Company or at least as favorable to the Company than those of the existing credit facilities, or will improve PPR's liquidity profile;
- the Company's ability to generate sufficient cash flow from operations or obtain adequate financing to fund the Company's capital expenditures and meet working capital needs;
- the Company's ability to replace and sustain production;
- a lack of available drilling and production equipment, and related services and labor;
- the Company's ability to successfully integrate the acquired assets;
- increases in costs of drilling, completion and production equipment and related services and labor;

- unsuccessful exploration and development drilling activities;
- regulatory and environmental risks associated with exploration, drilling and production activities;
- declines in the value of the Company’s oil and natural gas properties, resulting in impairments;
- the adverse effects of changes in applicable tax, environmental and other regulatory legislation;
- a deterioration in the demand for the Company’s products;
- the risks and uncertainties inherent in estimating proved oil and natural gas reserves and in projecting future rates of production and the timing of expenditures;
- the risks of conducting exploratory drilling operations in new or emerging plays;
- intense competition with companies with greater access to capital and staffing resources;
- the risks of conducting operations in Canada and the impact of pricing differentials, fluctuations in foreign currency exchange rates and political developments on the financial results of the Company’s operations; and
- the uncertainty related to the pending litigation against us.

Should one or more of the risks or uncertainties described above or elsewhere in this MD&A occur, or should underlying assumptions prove incorrect, the Company’s actual results and plans could differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A, and the Company undertakes no obligation to update this information to reflect events or circumstances after the delivery of this MD&A. All forward-looking statements, expressed or implied, included in this MD&A are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that the Company may make or persons acting on the Company’s behalf may issue.

Other Advisories

Volumetric Conversion

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

Throughout the MD&A, PPR has used the 6:1 boe measure, which is the approximate energy equivalency of the two commodities at the burner tip. Boe does not represent a value equivalency at the wellhead nor at the plant gate, which is where PPR sells its production volumes and therefore may be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion may be misleading as an indication of value.

Non-IFRS Measures

PPR uses terms within the MD&A that do not have a standardized prescribed meaning under IFRS and these measurements may not be comparable with the calculation of similar measurements used by other companies. The non-IFRS measures used in this report are summarized as follows:

Working Capital

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

The following table provides a calculation of working capital:

($000s)	September 30, 2020	December 31, 2019
Current assets	21,259	20,708
Less: current derivative instrument assets	(4,362)	(11)
Current assets excluding current derivatives instruments	16,897	20,697
Less: Accounts payable and accrued liabilities	13,499	18,479
Working capital	3,398	2,218

Operating Netback

Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this report were determined by taking (oil and gas revenues less royalties less operating costs) divided by gross working interest production. Operating netback, including realized commodity (loss) and gain, adjusts the operating netback for only realized gains and losses on derivatives.

Adjusted Funds Flow

AFF is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR's operational performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary and utilizes the measure to assess its ability to finance operating activities, capital expenditures and debt repayments. AFF as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. AFF per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share.

Note that in this MD&A, AFF includes decommissioning liability settlements, which were previously excluded from the calculation in accordance with common industry practice, to conform to recent direction expressed by Alberta Securities Commission staff regarding funds flow disclosure by oil and gas issuers. By including the cost of decommissioning liability settlements in AFF, the current calculation results in a correspondingly lower AFF amount than under the previous methodology. With many oil and gas issuers continuing to exclude decommissioning settlements from their own funds flow calculations, the Company emphasizes that its AFF measurement may not be comparable with the calculation of similar measurements used by other companies.

The AFF numbers incorporate more seasonal variability into previously disclosed numbers as a significant portion of PPR's decommissioning settlements incurred in the last few years has been in winter access only areas, with considerably higher spend incurred in the winter months.

The following table reconciles cash flow from operating activities to AFF under the current and previous methodologies:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	2020	2019	2020	2019
Cash flow from operating activities	191	3,299	6,224	(1,770)
Changes in non-cash working capital	3,644	2,707	2,272	14,547
Other	(11)	108	16	80
Transaction, restructuring and other costs	(6)	82	107	908
AFF under current methodology	3,818	6,196	8,619	13,765
Decommissioning settlements	94	374	1,449	3,675
AFF under previous methodology	3,912	6,570	10,068	17,440

Bank Adjusted EBITDAX

The Company monitors its capital structure and liquidity based on the ratio of Debt to Bank Adjusted EBITDAX as defined below. The ratio provides a measure of the Company's ability to manage its debt levels under current operating conditions. "Debt" refers to the Company's borrowings under its Revolving Facility and Subordinated Notes (for the periods prior to October 31, 2017, the "Amended Credit Facility"). "Bank Adjusted EBITDAX" corresponds to defined terms in the Company's debt agreements and means net earnings (loss) before financing charges, foreign exchange gain (loss), E&E expense, income taxes, depreciation, depletion, amortization, other non-cash items of expense and non-recurring items, adjusted for major acquisitions and material dispositions assuming that such transactions had occurred on the first day of the applicable calculation period. As transaction costs related to business combinations are non-recurring costs, Adjusted EBITDAX has been calculated, excluding transaction costs, as a meaningful measure of continuing net income. For purposes of calculating covenants under bank debt, Bank Adjusted EBITDAX is determined using financial information from the most recent four consecutive fiscal quarters.

The following is a reconciliation of Bank Adjusted EBITDAX to the nearest IFRS measure, net earnings (loss) before income tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($000s)	**2020**	2019	**2020**	2019
Net (loss) earnings before income tax	**(8,292)**	(2,514)	**(93,981)**	(20,658)
Add (deduct):				
Interest	**3,794**	3,639	**11,350**	10,698
Depletion and depreciation	**6,150**	10,224	**21,650**	30,004
Depreciation on right-of-use assets	**526**	686	**1,652**	2,058
Exploration and evaluation expense	**255**	223	**1,811**	536
Unrealized (gain) loss on derivatives	**3,879**	(5,194)	**(8,697)**	3,999
Impairment loss	**—**	—	**76,587**	—
Accretion	**696**	817	**2,089**	2,546
(Gain) loss on foreign exchange	**(1,431)**	990	**2,224**	(2,210)
Change in other liabilities	**(480)**	—	**(480)**	(3,283)
Share – based compensation	**89**	157	**253**	500
Gain on sale of properties	**(126)**	(12)	**(203)**	(100)
Gain on warrant liability	**—**	(60)	**(84)**	(666)
Transaction costs, reorganization and other costs[1]	**(6)**	82	**107**	908
Bank Adjusted EBITDAX	**5,054**	9,038	**14,278**	24,332

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

Net Capital Expenditures

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

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

Net Debt

Net debt is a non-IFRS measure, defined as bank debt (both current and non-current portion) plus working capital surplus or deficit. Net debt is a measure commonly used in the oil and gas industry for assessing the liquidity of a company.

The following table provides a calculation of net debt:

($000s)	**September 30, 2020**	December 31, 2019
Working capital[1]	**3,398**	2,218
Bank debt[2]	**(120,985)**	(113,595)
Total net debt	**(117,587)**	(111,377)

[1] Working capital is a non-IFRS measure and is defined above under "Other Advisories".
[2] Bank debt includes the Revolving Facility and the Senior Notes.