

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Prospera Energy Inc. ("Prospera", the "Company", or the "Corporation") for the nine months ended September 30, 2020, and should be read in conjunction with the Company's interim financial statements and related notes for the same nine months ended, (the "Interim Financial Statements") and its December 31, 2019 annual financial statements ("Annual Financial Statements") and related MD&A. The Interim Financial Statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP measures, numerical references and Oil and Gas advisories which can be found at the beginning of this MD&A. This MD&A is dated and was prepared using available information as of November 26, 2020.

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts that address activities, events or developments that Prospera expects are forward looking statements. The Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions which the Corporation is required to make regarding future events and may constitute forward-looking statements within the meaning of applicable securities laws. Management's assessment of future plans and operations, capital expenditure requirements, methods of financing and the ability to fund financial liabilities, changes in royalty rates and the timing and impact of accounting policies may constitute forward-looking statements under applicable laws and necessarily involve risks including and without limitation, risks associated with oil and gas exploration, development and exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations imprecision of reserve estimates, environmental risks, competition from, other producers, the inability to fully realize the benefits of acquisitions, delays resulting from, or inability to obtain, required regulatory approvals and ability to access sufficient capital from internal and external sources. Readers and investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploitation successes, continued availability of capital and financing and general economic, market or business conditions.

Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will be realised. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "may", "will", "forecast", "project", "plan", "should" and similar expressions are intended to identify forward-looking information. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The risks associated with these forward-looking statements include, but are not limited to, the following:

- Fluctuations in oil production levels;
- Volatility in market prices for gas, liquids and oil
- Uncertainties associated with estimating reserves;
- Well production and decline rates;
- Changes in the general economic conditions in Canada and Worldwide;
- The effects of weather conditions;
- The ability of Prospera to obtain financing including equity and debt, and
- Actions taken and policies by governmental or regulatory authorities including changes to tax laws, incentive programs, royalty calculations and environmental regulations.

Additional Information

Additional information about Prospera, is available on SEDAR at www.sedar.com, and on the Corporation's website at www.prosperaenergy.com.

Oil and Gas Advisory

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", "Mcf", "Mcf/d", "MMcf", "MMcf/d", "Bcf", "Bbl", and "Bbl/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For Q3 2020, the ratio between Prospera's average realized oil price and the average realized natural gas price was approximately 5400:1 ("Value Ratio"). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

Numerical References

Amounts are shown in Canadian dollars unless otherwise stated. All production volumes disclosed herein are sales volumes. The columns on some tables in this document may not add due to rounding.

Business Overview

Prospera is a Canadian natural resources corporation presently engaged in the acquisition, exploration and development of oil and gas properties in Western Canada.

The Corporation was incorporated on April 14, 2003, under the Canada Business Corporations Act ("CBCA"). The Corporation's shares initially began trading on the TSX Venture Exchange under the trading symbol "ORR" on March 29, 2005 and on the Frankfurt Exchange under the trading symbol "OF6" on June 21, 2006. On August 25, 2008, the Corporation's name was changed to "Georox Resources Inc." and the TSX Venture Exchange trading symbol changed to "GXR". On June 28, 2018 the Corporation changed its name to "Prospera Energy Inc. and the TSX Venture Exchange symbol changed to "PEI". The success of Prospera's operations is dependent upon several factors, including but not limited to, the price of energy commodity products, the effectiveness of the Company's approach to managing commodity price volatility, capital spending allocations, Prospera's ability to maintain desired levels of production, control over its infrastructure, its efficiency in developing and operating properties and its ability to manage costs.

Non-GAAP Measures

Certain measures used in this document, including "EBITDA", "funds flow from (used by) operations", "operating netback" and "current ratio", collectively the "Non-GAAP measures" do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered Non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Prospera to provide Shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. However, given their lack of standardized meaning, such measurements are unlikely to be comparable to similar measures presented by other issuers.

"EBITDA" refers to "Funds flow from operations" plus cash interest, and tax expenses.

"Funds flow from (used by) operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the statements

of cash flows. Management utilizes funds flow from operations as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and credit facility repayments.

“Operating netback” is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating charges, and transportation costs. Management uses this metric to measure the discrete operating results of its oil and gas properties.

“Current ratio” is defined as current assets as defined by IFRS, (excluding hedging gains and/or losses)) divided by current liabilities as defined by IFRS (but excluding any portion of the Credit Facility), to the extent that it is not past due, and unrealized hedging gains and /or losses).

Investors are cautioned that the Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with IFRS, as set forth above, or other measures of financial performance calculated in accordance with IFRS.

Funds Flow from Operations

| | Three Months Ended | | Nine Months Ended | |
|--------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Operating netback | 70,371 | 376,367 | (421,765) | 1,526,463 |
| Interest and financing charges | (78,984) | (91,128) | (145,659) | (322,808) |
| General and administrative expenses | 247,126 | (173,985) | (1,118) | (512,829) |
| Funds flow from operations | 238,513 | 111,254 | (568,542) | 690,826 |
| <i>Non-cash items:</i> | | | | |
| Depletion, depreciation, and impairment | (388,108) | (326,872) | (1,086,088) | (840,433) |
| Share based compensation | - | - | (13,490) | - |
| Gains | - | 430,091 | 75,000 | 1,201,336 |
| Finance costs | - | - | - | - |
| Accretion on decommissioning and restoration liability | (61,396) | (60,620) | (185,426) | (169,254) |
| Comprehensive (loss) income | (210,991) | 153,853 | (1,778,546) | 882,475 |

The following table reconciles cash flow from operating activities to funds flow from operations:

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Cash flow from operating activities | 93,852 | (61,115) | 274,308 | 1,465,713 |
| Changes in non-cash working capital | 162,249 | 172,369 | (842,851) | (774,887) |
| Funds flow from operations | 256,101 | 111,254 | (568,543) | 690,826 |
| Interest and financing charges | 61,396 | 91,128 | 145,659 | 322,808 |
| General and administrative expenses | (247,126) | 173,985 | 1,118 | 512,829 |
| Operating netback | 70,372 | 376,367 | (421,766) | 1,526,463 |

Funds Flow from Operations per Boe

| Per Unit of Sales Volume | Three Months Ended | | Nine Months Ended | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| (Dollar per Boe) | | | | |
| Sales | 40.02 | 54.13 | 35.47 | 56.86 |
| Royalties | (2.74) | (4.54) | (1.72) | (4.71) |
| Operating cost | (34.92) | (39.76) | (39.16) | (38.04) |
| Operating netback | 2.36 | 9.83 | (5.41) | 14.11 |
| Interest and financing charge | (2.65) | (2.38) | (1.87) | (2.98) |
| General and administrative expense | 8.28 | (4.54) | (0.01) | (4.74) |
| Funds flow from operations | 7.99 | 2.91 | (7.29) | 6.39 |

Operating Income Items

| Third Quarter 2020 vs. Fourth Quarter 2019 | Increase (Decrease) | | | |
|--------------------------------------------|---------------------|-------------|-----------|-------|
| | Q3 2020 | Q4 2019 | Value | % |
| Average sales volumes: | | | | |
| Natural gas (Mcf/d) | 162 | - | 162 | - |
| Oil and condensate (Bbl/d) | 297 | 399 | (102) | (26) |
| Total (Boe/d) | 324 | 399 | (75) | (19) |
| Liquids Composition (percentage) | 92 | 100 | | |
| Average realized prices | | | | |
| Natural gas (\$/Mcf) | 3.84 | - | 3.84 | - |
| Oil (\$/Bbl) | 43.65 | 48.82 | (5.17) | (11) |
| Average realized price (\$/Boe) | - | 48.82 | (48.82) | (100) |
| Operating netback | | | | |
| Natural gas | 57,276 | - | 57,276 | - |
| Oil | 1,194,474 | 1,791,381 | (596,907) | (33) |
| Total petroleum and natural gas sales | 1,251,750 | 1,791,381 | (539,631) | (30) |
| Royalties | (81,880) | (191,289) | (109,410) | (57) |
| Operating costs | (1,042,223) | (1,654,461) | (612,238) | (37) |
| Operating netback | 127,647 | (54,369) | 182,016 | (335) |

Comparison of Third Quarter 2020 over Fourth Quarter 2019

Petroleum and Natural Gas Sales – decreased by \$539,631 due to lower sales volumes and commodity prices.

Royalties – decreased by \$109,410 due to lower commodity sales.

Operating Costs – decreased by \$612,238 due to reduced variable costs resulting from oil production being shut in due to low commodity prices and temporary suspended capital projects, also as a result of low oil prices.

| Third Quarter 2020 vs. Third Quarter 2019 | Q3 2020 | Q3 2019 | Increase (Decrease) | |
|-------------------------------------------|-------------|-------------|---------------------|-------|
| | | | Value | % |
| Average sales volumes: | | | | |
| Natural gas (Mcf/d) | 162 | 11 | 151 | 1,313 |
| Oil and condensate (Bbl/d) | 297 | 397 | (100) | (25) |
| Total (Boe/d) | 324 | 399 | (75) | (19) |
| Liquids Composition (percentage) | 92 | 100 | | |
| Average realized prices | | | | |
| Natural gas (\$/Mcf) | 3.84 | 3.18 | 0.66 | 21 |
| Oil (\$/Bbl) | 43.65 | 62.63 | (18.99) | (30) |
| Average realized price (\$/Boe) | - | 62.42 | (62.42) | (100) |
| Operating netback | | | | |
| Natural gas | 57,276 | 3,319 | 53,957 | 1,626 |
| Oil | 1,194,474 | 2,261,040 | (1,066,566) | (47) |
| Total petroleum and natural gas sales | 1,251,750 | 2,264,359 | (1,012,609) | (45) |
| Royalties | (81,880) | (234,893) | (153,013) | (65) |
| Operating costs | (1,042,223) | (1,656,397) | (614,174) | (37) |
| Operating netback | 127,647 | 373,069 | (245,422) | (66) |

Comparison of Third Quarter 2020 over Third Quarter 2019

Petroleum and Natural Gas Sales – decreased by \$1,012,609 due to lower sales volumes and commodity prices.

Royalties – decreased by \$153,013 due to lower commodity sales.

Operating Costs – decreased by \$614,174 due to reduced variable costs resulting from oil production being shut in due to low commodity prices and temporary suspended capital projects, also as a result of low oil prices.

| Year-to-date 2020 vs Year-to-date 2019 | YTD 2020 | YTD 2019 | Increase (Decrease) | |
|----------------------------------------|-------------|-------------|---------------------|-------|
| | | | Value | % |
| Average sales volumes: | | | | |
| Natural gas (Mcf/d) | 80 | 8 | 72 | 900 |
| Oil and condensate (Bbl/d) | 271 | 385 | (114) | (30) |
| Total (Boe/d) | 285 | 386 | (101) | (26) |
| Liquids Composition (percentage) | 95 | 100 | | |
| Average realized prices | | | | |
| Natural gas (\$/Mcf) | 8.23 | 3.50 | 4.73 | 135 |
| Oil (\$/Bbl) | 57.68 | 58.49 | (0.81) | (1) |
| Average realized price (\$/Boe) | 35.47 | 58.35 | (22.88) | (39) |
| Operating netback | | | | |
| Natural gas | 57,276 | 5,355 | 51,921 | 970 |
| Oil | 2,707,953 | 4,071,276 | (1,363,323) | (33) |
| Total petroleum and natural gas sales | 2,765,229 | 4,076,631 | (1,311,402) | (32) |
| Royalties | (133,923) | (335,353) | (201,430) | (60) |
| Operating costs | (3,053,071) | (2,591,182) | 461,889 | 18 |
| Operating netback | (421,765) | 1,150,096 | (1,571,861) | (137) |

Comparison of Year-to-date 2020 over Year-to-date 2019

Petroleum and Natural Gas Sales – decreased by \$1,311,402 due to lower sales volumes and commodity prices.

Royalties – decreased by \$201,430 due to lower commodity sales.

Operating Costs – increased by \$461,889 due to a higher field working interest in first nine months of 2020 versus 2019 .

Depletion and Depreciation Expense

| | Three Months Ended | | | Nine Months Ended | |
|-----------------------------------|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Reported amount | 388,108 | 460,952 | 326,872 | 1,086,088 | 840,433 |
| Expense per sales volume (\$/Boe) | 13.00 | 27.72 | 9.01 | 13.93 | 12.03 |

The change in depletion and depreciation expense over the above periods was primarily a function of production levels in the respective periods relative to the Company's estimated oil and gas reserves on a total proved plus probable basis.

General and Administrative Expenses

| | Three Months Ended | | | Nine Months Ended | |
|--------------------------------------------------------------|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| General and administrative | (110,976) | 382,300 | 341,351 | 402,886 | 1,001,615 |
| Overhead recoveries and reclassifications to operating costs | (136,150) | (134,057) | (167,366) | (401,767) | (488,786) |
| Reported amount | (247,126) | 248,244 | 173,985 | 1,118 | 512,829 |
| Expense per sales volume (\$/Boe) | (8.28) | 14.93 | 4.80 | 0.01 | 7.34 |

In Q3 2020 there was a favourable revision of prior accrued liabilities before overhead recoveries, along with overall cost reductions to staff and office costs.

Share Based Compensation

| | Three Months Ended | | | Nine Months Ended | |
|-----------------------------------|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Reported Amount | - | - | - | 13,490 | - |
| Expense per sales volume (\$/Boe) | - | - | - | 0.17 | - |

Share based compensation expense was consistent quarter over quarter. No new options were granted in the Q3 2020 calendar year.

Interest, Financing, and Accretion Charges

| | Three Months Ended | | | Nine Months Ended | |
|--------------------------------------------------------|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | June 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Accretion on decommissioning and restoration liability | 61,396 | 124,031 | 60,620 | 185,426 | 169,254 |
| Interest and other finance costs | 78,984 | 66,675 | 91,128 | 145,659 | 322,808 |
| Expense per sales volume (\$/Boe) | 4.70 | 11.47 | 4.52 | 4.25 | 7.04 |

Accretion charges represent the increase in the Company's decommissioning and restoration liability associated with the passage of time. Accretion on Prospera's decommissioning and restoration liability for the three months ended June 30, 2020 increased relative to prior periods as a result of the current period accretion.

Interest expense in the second quarter of 2020 was lower relative to the prior period due to reduce debt and related interest rates.

Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Corporation expects to finance its working capital deficiency and its ongoing working capital requirements through cash and adjusted funds flow from operations. The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing in the future.

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities when due. As at September 30, 2020, the Corporation does not have sufficient cash equivalent to settle its \$10,175,822 of trade and other payables (December 31, 2019 – \$ 8,088,457) and \$1,807,510 of credit facilities (December 31, 2019 – \$ 2,412,424). All of the Corporation's trade and other payables have contractual maturities of 30 days or less, are subject to standard trade terms and are scheduled for payment within one year.

The Corporation's working capital deficiency and shareholders' deficiency is below:

| | As at | |
|-------------------------------------------|--------------------|-------------------|
| | September 30, 2020 | December 31, 2019 |
| Current liabilities net of current assets | 7,757,646 | 7,248,749 |
| Shareholders' deficiency | 24,286,944 | 22,508,308 |
| | 32,044,590 | 29,757,057 |

Refer to note 15 of the Interim Financial Statements for further disclosures on liquidity and capital management.

Working Capital

The working capital deficiency is funded by cash flow from operations and draw-downs from the Company's credit facility. Fluctuations in Prospera's working capital deficit arises primarily on production levels, commodity price changes, and capital expenditure levels.

Credit Facility

| | Debt | Derivative Liability | Total |
|-----------------------------------------|------------------|----------------------|------------------|
| Balance at December 31, 2018 | 4,915,125 | - | 4,915,125 |
| Amounts drawn | - | - | - |
| Cash repayments | (1,602,701) | - | (1,602,701) |
| Disposition proceeds | - | - | - |
| Debt forgiveness | (900,000) | - | (900,000) |
| Expiry of share purchase warrants | - | - | - |
| Balance at December 31, 2019 | 2,412,424 | - | 2,412,424 |
| Amount drawn | - | - | - |
| Cash repayments | (529,915) | - | (529,915) |
| Debt forgiveness | (75,000) | - | (75,000) |
| Balance as at September 30, 2020 | 1,807,510 | - | 1,807,509 |

As at September 30, 2020, \$1,807,510 (December 31, 2019 - \$2,412,424) was outstanding in relation to Credit facility A and nil (December 31, 2019 - \$nil) was outstanding in relation to Credit Facility B. Total outstanding as at September 30, 2020 is \$1,807,510.

Credit Facilities A and B (collectively, the "Amended Credit Facilities") are secured by promissory notes for \$4,622,945 and \$600,000, a \$25,000,000 fixed and floating charge debenture, a general security agreement on the assets of the Corporation and a \$4,000,000 debenture from the Corporation providing a security interest in all present and after-acquired personal property, a fixed charge on all the oil and gas assets and a floating charge over all other present and after-acquired real property.

Borrowing under Credit Facility A and B bears interest at 7.5 percent per annum.

On April 29, 2019, the Corporation and its lender signed an amended credit facility agreement (the "Second Amending Agreement") with respect to the Amended Credit Facilities. A summary of the amended terms are as follows:

- The maturity date of the Amended Credit Facilities shall be April 30, 2020;
- The interest rate on the Amended Credit Facilities shall reduce to 9.5 percent per annum effective upon the Corporation making a \$400,000 lump sum principal repayment funded from the sale proceeds of the Silverdale CGU (Note 23(b)) with any shortfall made up from the Corporation's working capital;
- Upon the receipt of the \$400,000 lump sum principal repayment, the lender will provide \$400,000 of debt forgiveness such that the reduction of the principal amount owing under the Credit Facilities will be \$800,000;
- The interest rate shall be further reduced to 9% per annum upon the receipt of a second lump sum principal repayment in the amount of \$250,000 by no later than August 31, 2019;
- Upon the receipt of the \$250,000 lump sum principal repayment, the lender will provide \$250,000 of debt forgiveness such that the reduction of the principal amount owing under the Credit Facilities will be \$500,000;
- The Corporation shall make a \$500,000 lump sum principal repayment on October 31, 2019 or by December 31, 2019 as assessed by the lender;
- 100% of the net proceeds from the sale of any CGUs and 100 percent of the net proceeds from the issuance of debt shall be used to repay amounts owing under the Amended Credit Facilities;
- Monthly aggregate payments of \$100,000, inclusive of monthly interest, shall commence on April 30, 2019 and continue on the last day of each month thereafter;

- The Forbearance and Quitclaim, that was entered into on September 8, 2017, shall remain in effect until April 30, 2020; Prepayment shall be permitted at any time with no penalty;
- In the event of default, the interest rate shall be 12 percent per annum;
- The Corporation shall be subject to the following amended covenants:
 - A 0.3:1.0 current ratio (defined under non-GAAP measures);
 - A Trailing Cash Flow (EBITDA - defined under non-GAAP measures) for the most recent quarter annualized of not less than \$300,000;
 - A corporate LLR of 1.5 or greater; and,
 - Monthly sales production from Alberta properties of 55 boepd, reduced to 40 boepd in the event of the sale of the Corporation's Pouce Coupe CGU.

As at September 30, 2020, the Company was in compliance with all of the above covenants.

Shares, Options and Rights

The following provides a continuity of outstanding share capital:

| | Common Shares | Amount |
|-----------------------------------------------------|-------------------|----------------------|
| Shares as at December 31, 2018 | 46,192,311 | 11,539,391 |
| Issue of share capital | 18,930,000 | 779,500 |
| Issue of share capital proceeds received in advance | - | (366,000) |
| Share issue costs | - | (5,101) |
| Issue of share purchase warrants | - | (297,834) |
| Shares as at December 31, 2019 | 65,122,311 | 11,649,956 |
| Issue of share capital | - | - |
| Issue of share capital proceeds received in advance | - | - |
| Share issue costs | - | - |
| Issue of share purchase warrants | - | - |
| Shares as at September 30, 2020 | 65,122,311 | \$ 11,649,956 |

Provision for Decommissioning

At September 30, 2020, Prospera recorded an increase in provision for decommissioning of future abandonment and reclamation for Prospera's properties of \$12.3 million when compared \$12.1 million at December 31, 2019. The estimated provision for decommissioning includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability as at June 30, 2020 and December 31, 2019 were discounted at a risk-free interest rate of approximately 1.60 – 2 percent. Refer to note 10 of the Internal Financial Statements for additional disclosures on provision for decommissioning.

Related Party Transactions

- a) During the three and six months ended September 30, 2020, \$nil and \$nil, was expensed respectively for legal services provided by a law firm of which a former director of the Corporation is a partner (September 30, 2019 - \$nil and \$15,000 respectively). Included in trade and other payables at September 30, 2020 is \$8,086.34 (September 30, 2019 – \$21,509) owing to this law firm.
- b) During the three and Nine months ended September 30, 2020, management, consulting and engineering fees of \$nil and \$nil were included respectively in general and administrative expenses, were charged by an officer of the Corporation (September 30, 2019 – \$36,000 and \$108,000 respectively). Included in trade and other payables at September 30, 2020 is \$nil (September 30, 2019 – \$40,400) owing to this officer.

The above transactions with related parties are in the normal course of business. The receivables and payables are unsecured in nature and bear no interest.

Personnel Expenses

The Corporation's statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of \$229,490 of salaries and benefits for management personnel which are included in general and administrative expenses for the period ended September 30, 2020.

Key management personnel include executive officers and non-executive directors. Executive officers are paid a salary and participate in the Corporation's stock option program. The executive officers include the Chief Executive Officer and Chief Financial Officer. Non-executive directors also participate in the Corporation's stock option program. Key management compensation is comprised of the following:

| | Three months-ended | | | Nine months-ended |
|-----------------------|--------------------|---------------|---------------|-------------------|
| | September 30 | June 30 | March 31 | September 30 |
| | 2020 | 2020 | | 2020 |
| Salaries and benefits | 72,000 | 72,000 | 72,000 | 216,000 |
| Consulting fees | - | - | - | - |
| Share-based payments | - | - | 13,490 | 13,490 |
| Deferred share units | - | - | - | - |
| | 72,000 | 72,000 | 85,490 | 229,490 |

Quarterly Financial Information

| | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|--------------------------------------------|------------|------------|-------------|------------|
| Petroleum and natural gas sales | 1,194,474 | 610,110 | 960,645 | 1,791,381 |
| Funds flow from (used by) operations | 238,513 | 1,015,791 | (911,423) | (206,782) |
| Comprehensive Income (loss) | (210,992) | (345,148) | (1,222,407) | (976,349) |
| Income (loss) per Share (in full amounts): | | | | |
| Basic | (0.01) | (0.01) | (0.02) | (0.02) |
| Diluted | (0.01) | (0.01) | (0.02) | (0.02) |
| Total assets | 15,393,919 | 14,902,939 | 14,578,947 | 15,615,614 |
| Total current liabilities | 11,858,905 | 11,218,329 | 10,612,754 | 10,500,882 |

| | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 |
|--------------------------------------------|------------|------------|------------|-------------|
| Petroleum and natural gas sales | 2,072,838 | 2,264,358 | 1,812,273 | 774,320 |
| Funds flow from (used by) operations | 111,254 | 28,901 | 655,085 | (116,942) |
| Comprehensive Income (loss) | 153,853 | 466,189 | 262,433 | (6,646,520) |
| Income (loss) per Share (in full amounts): | | | | |
| Basic | 0.00 | 0.01 | - | (0.14) |
| Diluted | 0.00 | 0.01 | - | (0.14) |
| Total assets | 18,829,716 | 17,306,501 | 13,488,057 | 11,352,536 |
| Total current liabilities | 13,334,074 | 12,025,332 | 11,148,288 | 9,335,417 |

The fluctuations in Prospera's revenue and net earnings from quarter to quarter are primarily caused by variations in production volumes, realized oil and natural gas prices and the related impact on royalties. Gains (losses) on dispositions, impairments on exploratory and evaluation assets, property, plant, and equipment, goodwill can also

create significant volatility in the Company's net earnings. Please refer to the Results of Operations and other sections of this MD&A for detailed financial and operational variances between reporting periods and to Prospera's previously issued MD&As for changes in prior periods.

Critical Accounting Estimates

The historical information in this MD&A is based primarily on the Company's financial statements, which have been prepared in Canadian Dollars in accordance with IFRS. The application of IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Prospera bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. Refer to note 4 of the Interim Financial Statements.

Business Risks and Uncertainties

The risks in the oil and gas industry are varied and wide-ranging:

Going Concern

The Corporation's business is capital intensive and additional capital is required on a periodic basis. Specifically, continuing operations are dependent on management's ability to raise required funding through future equity issuances, credit facilities, asset sales or a combination thereof, which is not assured, especially in the current uncertain financial and commodity price environment. The sharp decline in commodity prices during the latter half of 2014 through to current period have negatively affected the Corporation's ability to access additional capital on terms acceptable to the Corporation, which is required for liquidity purposes and to fund commitments on the Corporation's properties. The current world-wide economic environment relating to the oil and gas industry has made access to capital challenging for many companies, including the Corporation. This has resulted in liquidity challenges and unless the Corporation is able to raise additional capital or renegotiate its commitments, it does not anticipate meeting all of its anticipated 2020 capital commitments. Furthermore, there is potential that future commodity prices and the world-wide economic environment relating to the oil and gas industry, in general, will remain relatively stagnate in its current position for an extended period of time and the Corporation will need to negotiate with its creditors to improve payment terms and/or pursue some form of asset sale, equity financing or other capital raising effort in order to fund its operations during the next twelve months. To that end, the Corporation is currently, and will continue, on an ongoing basis, examining alternative sources of capital, including potential debt and equity financing and ways to monetize its assets, including, without limitation, asset sales or swaps, joint ventures, corporate mergers or acquisitions, farmouts or other transactions with industry partners, all with a view to enhancing liquidity and meeting commitments. The need to raise capital or defer expenditures to fund ongoing operations creates uncertainty that may cast doubt over the Corporation's ability to continue as a going concern. There is no certainty that these and other strategies will be sufficient to permit the Corporation to continue as a going concern.

Future oil and natural gas exploitation may involve unprofitable efforts due to wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating 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 in of connected wells for various reasons including access issues resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical issues. While diligent 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 and cash flow levels to varying degrees.

A material change in prices of commodities may affect the Corporation's borrowings, ultimately affecting the raising of equity capital by the Corporation. See note 2 of the Interim Financial Statements for additional disclosure.

Commodity Price Risk

The nature of the Corporation's operations results in exposure to commodity fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation. A material changes in prices of commodities affected the Corporation's borrowings, ultimately affecting the raising of equity financing. The Corporation does not hedge commodity price risk and has no physical forward price or financial derivative sales contracts as at or during the three months ended September 30, 2020. Although improved, petroleum prices are expected to remain volatile for the near future as a result of the market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions, regional conflicts and the ongoing global credit and liquidity concerns.

Operational Dependence

Other than one well on the Pouce Coupe property, the Corporation operates all of its own wells including two wells on the Pouce Coupe property, nine wells on the Red Earth property and over one hundred and ten wells on the properties of Cuthbert, Hearts Hill and Luseland. The Corporation's dependence on assets operated by others is therefore extremely limited.

Regulatory Compliance

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural 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 natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Corporation will require licenses from various government authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local 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 natural 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 of applicable environmental legislation 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 stricter 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 the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Substantial Capital Requirements

The Corporation anticipates making capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future in order to replace reserves. If the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near-term industry activity expose the Corporation to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes including repayment of loan facilities when due or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations and capital requirements could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Conflicts of Interest

Certain directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA. See "Directors and Officers – Conflicts of Interest".

Legal, Environmental, Remediation and other Contingent Matters

The Corporation reviews legal, environmental remediation and other contingent matters to both determine whether a loss is probable based on judgment and interpretation of laws and regulations and determine that the loss can reasonably be estimated. When the loss is determined, it is charged to earnings. The Corporation's management monitors known and potential contingent matters and makes appropriate provisions by charges to earnings when warranted by circumstances.

Subsequent Event

On November 6, 2020 Prospera announced the resignation of Mr. Dusan Berka as a director of the Corporation's board of directors.

On November 23, 2020 Prospera announced the appointment of Professional Engineer Samuel David in an advisory capacity. The appointment is to initiate Prospera reorganization process to attain efficiencies and profitability.

On November 25, 2020 Prospera announced the departure of Mr. Sarshar Ahmad as President and CEO of the Corporation. Mr. Ahmad remains as director of the Corporation.

Management's Responsibility for Financial Statements

The information provided in this MD&A and the Corporation's financial statements is the responsibility of management. In the preparation of this information, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely disclosure information.

Directors:

Savi Franz, Kelowna, BC, Canada
Sarshar Ahmad, Calgary AB, Canada
Mel Clifford, Kelowna BC, Canada

Officers:

Savi Franz, Chief Financial Officer

Other:

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Auditors: MNP LLP, 800-700 6th Avenue, S.W., Calgary, Alberta T2P 0T8
Legal Counsel: Miller Thomson LLP,
Suite 3000, 700-9th Avenue S.W., Calgary, Alberta, Canada T2P 3V4
Transfer Agent: Computershare Trust Company of Canada,
100 University Ave., 11th Fl., South Tower, Toronto, ON M5J 2Y1
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