SEVEN GENERATIONS
ENERGY

Management's Discussion and Analysis

For the three and nine months ended September 30, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results from operations of Seven Generations Energy Ltd. (the "Company" or "Seven Generations") is dated November 6, 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") as well as the audited annual consolidated financial statements for the years ended December 31, 2019 and 2018 (the "annual financial statements"). These financial statements were prepared in accordance with IFRS.

Refer to the Advisories and Guidance section for information regarding certain GAAP and non-GAAP financial measures utilized in this MD&A for measuring the Company's performance. Also refer to the Advisories and Guidance section for information about the Company's product types.

Unless otherwise noted, all financial measures are expressed in Canadian dollars and tabular dollar amounts are presented in millions. Certain abbreviated terms used throughout this MD&A are explained on the last pages of this MD&A. Additional information about Seven Generations is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2019, dated February 26, 2020 (the "AIF").

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ABOUT SEVEN GENERATIONS ENERGY LTD.

Seven Generations is a low supply-cost energy producer dedicated to stakeholder service, responsible development and generating strong returns from condensate and liquids-rich natural gas production from the Company's Kakwa River Project in northwest Alberta. Seven Generations' corporate office is in Calgary, Alberta and its operations headquarters is in Grande Prairie, Alberta. The Company's class A common shares ("common shares") trade on the TSX under the symbol "VII". Seven Generations seeks to differentiate itself based on four key strategies:

- **Stakeholder service:** recognizing that in a competitive world, only those who best serve their stakeholders can expect to survive in the long term.
- **Resource quality and low supply cost:** combining resource selection with innovation, technology and efficiency to remain among North America's lowest supply-cost, unconventional liquids-rich natural gas developers.
- **Financial sustainability:** maintaining a strong balance sheet and pursuing investments that will contribute to free cash flow and earn full-cycle returns across the entire commodity price cycle, with focused capital deployment on high return opportunities.
- **Market access:** secure gathering, processing and transportation capacity to capture premium prices from the market.

Seven Generations produces condensate and liquids-rich natural gas and holds over 500,000 net acres of Montney lands in the Kakwa River Project. During the third quarter of 2020, Seven Generations produced 168.9 mboe/d (57% liquids) from over 550 net horizontal Montney wells. Development of the Kakwa River Project has resulted in the booking of approximately 1.6 billion boe of gross proved plus probable reserves(1) as at December 31, 2019.

Seven Generations' acreage is interconnected with key infrastructure and take-away capacity allowing the Company to deliver the majority of its condensate and liquids-rich natural gas directly to market by pipeline. Seven Generations' natural gas transportation capacity has geographic diversification across North America with exposure to US Midwest, US Gulf Coast, US Pacific Northwest, Western Canadian and Eastern Canadian markets.

(1) Based on the reports of McDaniel & Associates Consultants Ltd., Seven Generations' independent qualified reserve evaluators, effective December 31, 2019. Refer to Advisories and Guidance for important additional information about the Company's reserves.

OPERATIONAL AND FINANCIAL RESULTS

$ millions, except per share and unit of production amounts	Three months ended September 30, 2020	2019	% Change	Three months ended June 30, 2020	% Change	Nine months ended September 30, 2020	2019	% Change
Financial Results								
Funds flow ($)[1]	**166.3**	340.5	(51)	138.8	20	**580.1**	1,034.6	(44)
Per share - diluted ($)	**0.50**	0.98	(49)	0.42	19	**1.74**	2.94	(41)
Free cash flow ($)[1]	**1.0**	55.9	(98)	69.4	(99)	**79.6**	38.0	109
Net income (loss) ($)	**(66.8)**	85.1	nm	(116.9)	(43)	**(1,192.9)**	391.2	nm
Per share - diluted ($)	**(0.20)**	0.25	nm	(0.35)	(43)	**(3.58)**	1.11	nm
Adjusted net income (loss) ($)[1]	**(24.2)**	78.5	nm	(43.1)	(44)	**(33.3)**	259.8	nm
Per share - diluted ($)	**(0.07)**	0.23	nm	(0.13)	(46)	**(0.10)**	0.74	nm
Revenue ($)[2]	**469.6**	718.0	(35)	306.0	53	**1,765.0**	2,059.8	(14)
CROIC (%)[1]	**9.0**	14.1	(36)	10.7	(16)	**9.0**	14.1	(36)
ROCE (%)[1]	**3.5**	8.6	(59)	5.6	(38)	**3.5**	8.6	(59)
Sales volumes[3][4]								
Condensate (mbbl/d)	**57.6**	75.5	(24)	64.3	(10)	**63.6**	74.7	(15)
Natural gas (MMcf/d)	**434.6**	515.3	(16)	467.9	(7)	**463.7**	496.3	(7)
Other NGLs (mbbl/d)	**38.8**	43.2	(10)	40.9	(5)	**40.9**	43.9	(7)
Total sales volumes (mboe/d)	**168.9**	204.6	(17)	183.2	(8)	**181.8**	201.3	(10)
Liquids %	**57**	58	(2)	57	—	**57**	59	(3)
Realized prices[4]								
Condensate ($/bbl)	**47.40**	65.59	(28)	26.59	78	**43.82**	66.91	(35)
Natural gas ($/Mcf)	**2.61**	2.85	(8)	2.49	5	**2.59**	3.47	(25)
Other NGLs ($/bbl)	**14.60**	2.74	nm	12.01	22	**11.73**	4.79	145
Total ($/boe)	**26.24**	31.97	(18)	18.38	43	**24.57**	34.42	(29)
Royalty expense ($/boe)	**(1.76)**	(1.99)	(12)	(0.97)	81	**(1.68)**	(2.16)	(22)
Operating expenses ($/boe)	**(5.30)**	(4.81)	10	(4.16)	27	**(4.65)**	(4.91)	(5)
Transportation, processing and other ($/boe)	**(7.86)**	(6.46)	22	(7.53)	4	**(7.46)**	(6.58)	13
Operating netback before the following ($/boe)[1][4]	**11.32**	18.71	(39)	5.72	98	**10.78**	20.77	(48)
Realized hedging gains ($/boe)	**2.76**	1.63	69	6.44	(57)	**4.27**	0.46	nm
Marketing income (loss) ($/boe)[1]	**(0.64)**	0.19	nm	(0.80)	(20)	**(0.63)**	0.34	nm
Operating netback ($/boe)[1]	**13.44**	20.53	(35)	11.36	18	**14.42**	21.57	(33)
Funds flow ($/boe)[1]	**10.70**	18.09	(41)	8.33	28	**11.65**	18.83	(38)
Balance sheet								
Capital investments ($)	**165.3**	284.6	(42)	69.4	138	**500.5**	996.6	(50)
Available funding ($)[1]	**1,113.1**	1,277.2	(13)	1,110.7	—	**1,113.1**	1,277.2	(13)
Net debt ($)[1]	**2,178.8**	2,213.7	(2)	2,224.9	(2)	**2,178.8**	2,213.7	(2)
Purchase of common shares ($)	**—**	73.8	(100)	—	—	**15.6**	117.9	(87)
Common shares outstanding	**333.3**	340.5	(2)	333.2	—	**333.3**	340.5	(2)
Weighted average shares outstanding - basic	**333.3**	345.9	(4)	333.1	—	**333.3**	350.2	(5)
Weighted average shares outstanding - diluted	**334.0**	347.0	(4)	333.8	—	**333.9**	352.0	(5)

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. Certain comparative figures have been adjusted to conform with current period presentation. Refer to the annual financial statements and Q4 2019 MD&A for further details.
(2) Represents the total of liquids and natural gas sales, net of royalties, gains (losses) on risk management contracts and other income.
(3) See "Note Regarding Product Types" in the Advisories and Guidance.
(4) Excludes realized hedging gains and losses as well as the purchase and sale of condensate and natural gas in respect of the Company's transportation commitment utilization and marketing activities.

HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

- **Funds flow** - During the three and nine months ended September 30, 2020, Seven Generations generated funds flow of $166.3 million and $580.1 million, respectively, compared to $340.5 million and $1,034.6 million during the same periods in 2019. The declines were primarily due to lower realized commodity prices and lower production. Ongoing risk management programs have protected a portion of the Company's cash flows in the current low commodity price environment. During the nine months ended September 30, 2020, Seven Generations realized $212.6 million of net hedging gains. With funds flow of $580.1 million and capital investments of $500.5 million, the Company delivered free cash flow[1] of $79.6 million during the first nine months of the year.
- **Liquidity** - The Company exited the third quarter of 2020 with available funding[1] of $1.1 billion, primarily consisting of undrawn credit facility capacity maturing in 2024. Seven Generations had net debt[1] of $2.18 billion with approximately half of the Company's senior notes maturing in 2023 and the remaining half maturing in 2025. In the near term, Seven Generations plans to prioritize net debt reduction with available free cash flow[1].
- **Production** - Seven Generations averaged third quarter 2020 production of 168.9 mboe/d, a 17% decline compared to 204.6 mboe/d during the same period in the prior year. The declines in production were primarily the result of a reduction in the Company's 2020 development activities in response to the oil price reduction due to a decline in demand from the COVID-19 pandemic and a 22-day turnaround at the Company's Karr Condensate Processing Facility in the third quarter. Seven Generations' 2020 production is anticipated to fall within the Company's revised guidance range of 180 to 185 mboe/d, reflecting a 3% increase to the lower end of previous guidance, following the successful ramp up of production at the Karr facility after the turnaround.
- **Operations** - During the three months ended September 30, 2020, Seven Generations' operating expense per boe increased by 10% to $5.30, compared to $4.81 during the same period in the prior year. The increase in the unit cost of operating expenses was primarily due to the temporary production curtailments and costs associated with the Karr facility turnaround in the third quarter of 2020. Year to date, operating costs per boe declined by 5% overall to $4.65 per boe, primarily due to the Company's ongoing water handling initiatives. Seven Generations' anticipates operating expenses to average $4.50 - $4.75 per boe for the year reflecting a 5% decline to the upper end of the previous guidance, following the Karr turnaround.
- **Return on capital** - The Company generated a return on capital employed ("ROCE")[1] of 3.5% during the 12 months ended September 30, 2020 (September 30, 2019 - 8.6%) and a cash return on invested capital ("CROIC")[1] of 9.0% during the same period (September 30, 2019 - 14.1%). Declines in the ROCE and CROIC measures during the year were primarily due to lower commodity prices and lower production.
- **Capital investments** - During the three months ended September 30, 2020, the Company recommenced its moderated pace of development following the deferral of field development activities in response to oil price declines stemming from the COVID-19 pandemic in the first half of the year. Seven Generations invested $165.3 million in the Company's Kakwa River Project drilling 9 wells and completing 19. The Company's drilling and completion costs per well were $3.1 million and $3.4 million, respectively, during the third quarter of 2020. Drilling and completion costs per well declined 23% compared to the same period in 2019, primarily due to improved completions designs and cost efficiencies.

2020 OUTLOOK & 2021 BUDGET

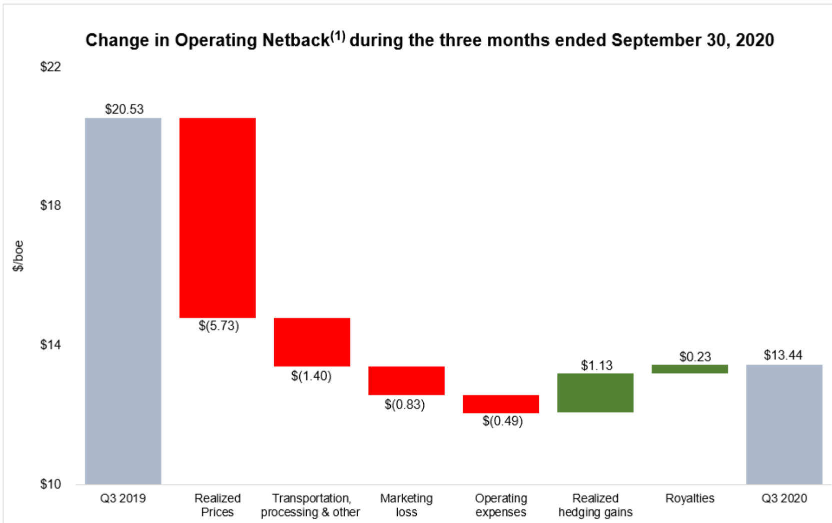
Guidance	2020 Outlook	2021 Budget
Capital budget ($ millions)	**$ 650**	**$ 650**
Average Production		
Total production (mboe/d)[2]	**180 - 185**	**180 - 185**
Number of wells brought on stream	**65 - 70**	**50 - 60**
Natural Gas percentage[2]	**42% - 44%**	**42% - 44%**
Condensate percentage[2]	**32% - 36%**	**32% - 36%**
Other NGLs percentage[2]	**22% - 24%**	**22% - 24%**
Expenses		
Royalties[3]	**4% - 6%**	**5% - 7%**
Operating expenses ($/boe)	**4.50 - 4.75**	**4.50 - 4.75**
Transportation, processing and other ($/boe)	**7.50 - 8.25**	**7.50 - 7.75**
G&A expense ($/boe)	**0.85 - 0.95**	**0.80 - 0.90**
Interest ($/boe)	**1.80 - 2.00**	**1.80 - 2.00**

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. Certain comparative figures have been adjusted to conform to current period presentation.
(2) See "Note Regarding Product Types" in the Advisories and Guidance.
(3) 2021 royalty guidance based on US$40 WTI and US$3.00 Henry Hub pricing

Seven Generations' revised 2020 capital investment program is $650 million for continued development of the Kakwa River Project. The Company has also approved a 2021 budget with a total capital investment of $650 million an is intended to maintain a flat year-over-year production profile. The decline in the Company's 2020 and 2021 capital budgets compared to the 2019 program of $1.23 billion reflects the impact of a lower commodity price environment and is a protective measure that targets a capital investment program that can be funded with anticipated funds flow as well as provide Seven Generations with an opportunity to generate free cash flow while still maintaining a base level of production critical to operations.

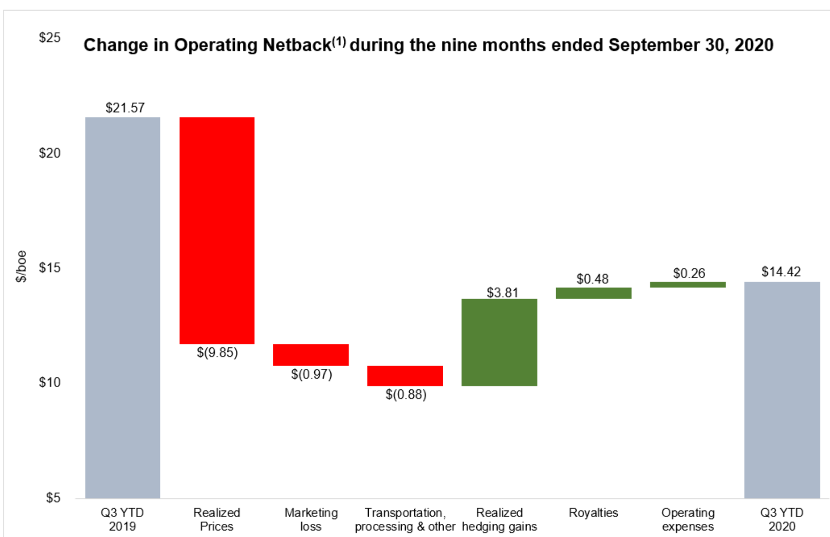
OPERATIONAL PERFORMANCE MEASURES

Operating netback per boe - three months ended



During the three months ended September 30, 2020, the operating netback was $13.44 per boe, a 35% decrease compared to $20.53 per boe during the same period in the prior year. The decrease in the operating netback was primarily due to lower realized prices, higher transportation costs from growth in the Company's transport capacity, marketing losses resulting from stronger Alberta natural gas prices and higher operating expenses from turnaround activities, partially offset by realized hedging gains from the Company's risk management program due to low commodity prices.

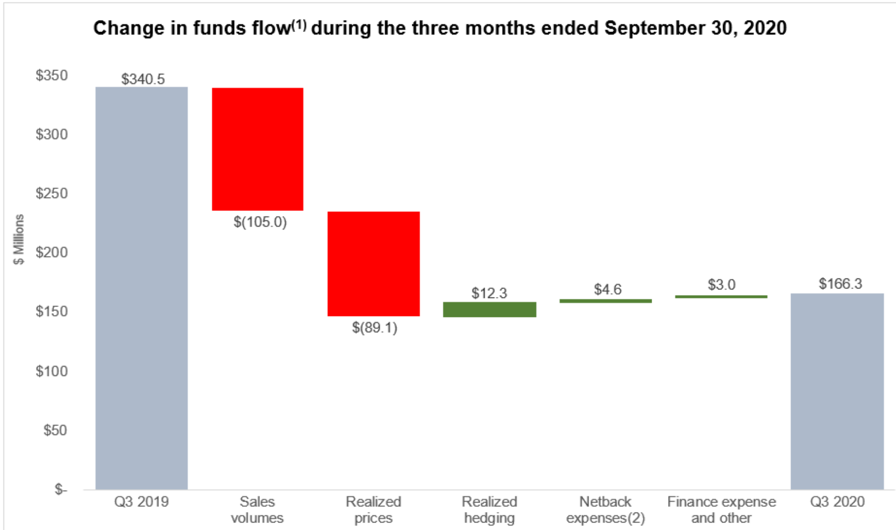
Operating netback per boe - nine months ended



During the nine months ended September 30, 2020, operating netbacks were $14.42 per boe, a 33% decrease compared to $21.57 per boe during the same period in the prior year. The decline in operating netback was primarily due to lower commodity prices, marketing losses and higher transportation costs, partially offset by realized hedging gains from the Company's risk management program and lower royalties due to lower revenues.

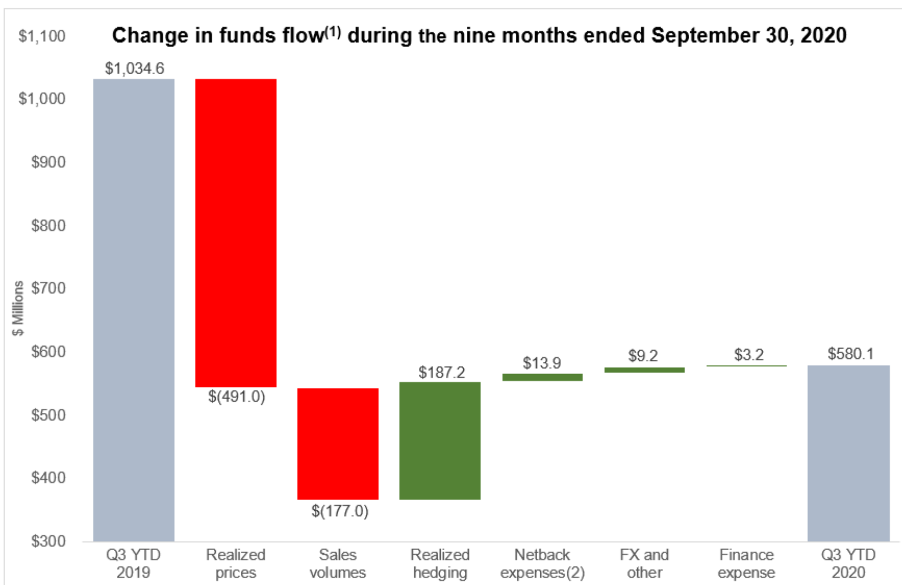
(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

Funds flow - three months ended



During the three months ended September 30, 2020, funds flow was $166.3 million, a decrease of 51% compared to $340.5 million during the same period in 2019. The decline in funds flow was primarily due to lower sales volumes and lower commodity prices, partially offset by realized derivative gains from liquids and natural gas hedges.

Funds flow - nine months ended



During the nine months ended September 30, 2020, funds flow was $580.1 million, a decrease of 44% compared to $1,034.6 million during the same period in 2019. The decrease in funds flow was primarily due to lower commodity prices and lower production, partially offset by realized derivative gains from liquids and natural gas hedges.

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.
(2) Netback expenses include royalties, operating expenses and transportation, processing and other expenses net of marketing income (losses).

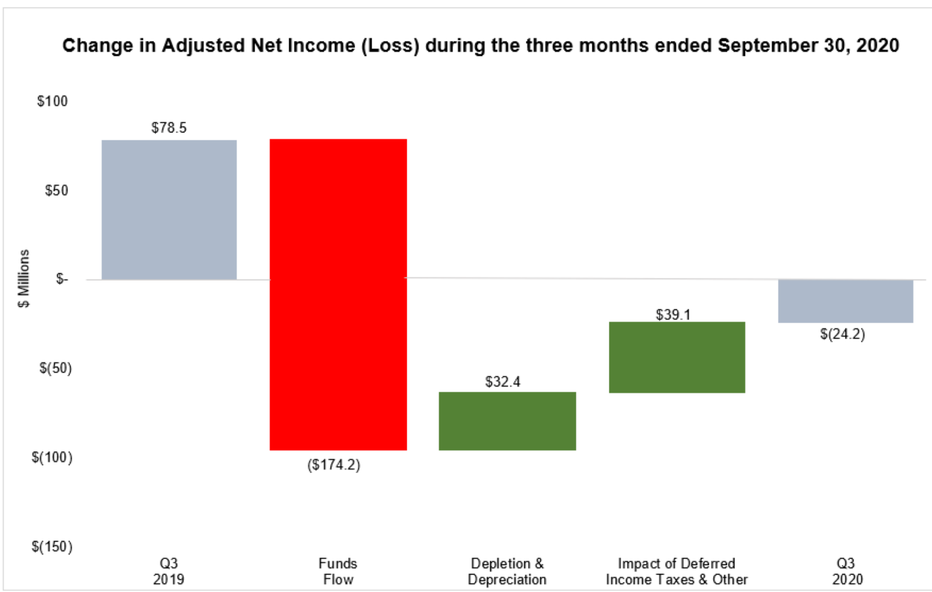
Income performance measures

The following table reconciles the Company's net income (loss) to adjusted net income (loss) for the three and nine months ended September 30, 2020:

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net income (loss)	**$ (66.8)**	$ 85.1	nm	**$ (1,192.9)**	$ 391.2	nm
Impairment loss	**—**	—	—	**1,442.6**	—	nm
Unrealized (gain) loss on risk management contracts	**115.2**	(44.1)	nm	**(11.3)**	9.3	nm
Foreign exchange (gain) loss on senior notes and other	**(46.1)**	24.4	nm	**54.3**	(63.2)	nm
Deferred income tax recovery from change in tax rates	**—**	1.4	(100)	**—**	(75.0)	(100)
Premium paid on purchase of senior notes	**—**	—	—	**3.2**	—	nm
Deferred tax expense (recovery) relating to adjustments	**(26.5)**	11.7	nm	**(329.2)**	(2.5)	nm
Adjusted net income (loss)(1)	**$ (24.2)**	$ 78.5	nm	**$ (33.3)**	$ 259.8	nm
Adjusted net income (loss) per share(1)	**(0.07)**	0.23	nm	**(0.10)**	0.74	nm

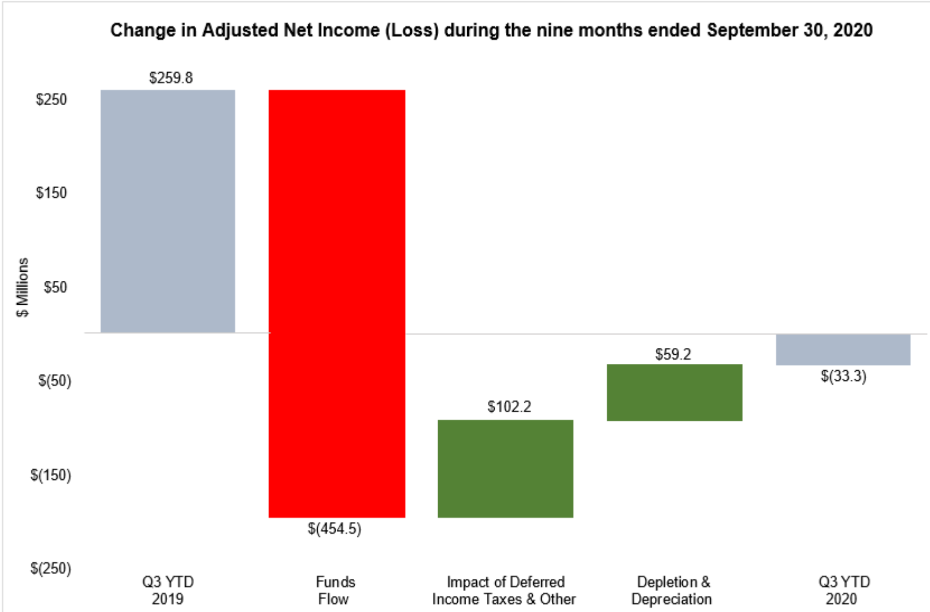
(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

Adjusted net income (loss) - three months ended



During the three months ended September 30, 2020, the Company's adjusted net loss was $24.2 million compared to adjusted net income of $78.5 million during the same period in the prior year. The decrease in adjusted net income was primarily due to lower funds flow from lower sales volumes and lower commodity prices.

Adjusted net income (loss) - nine months ended

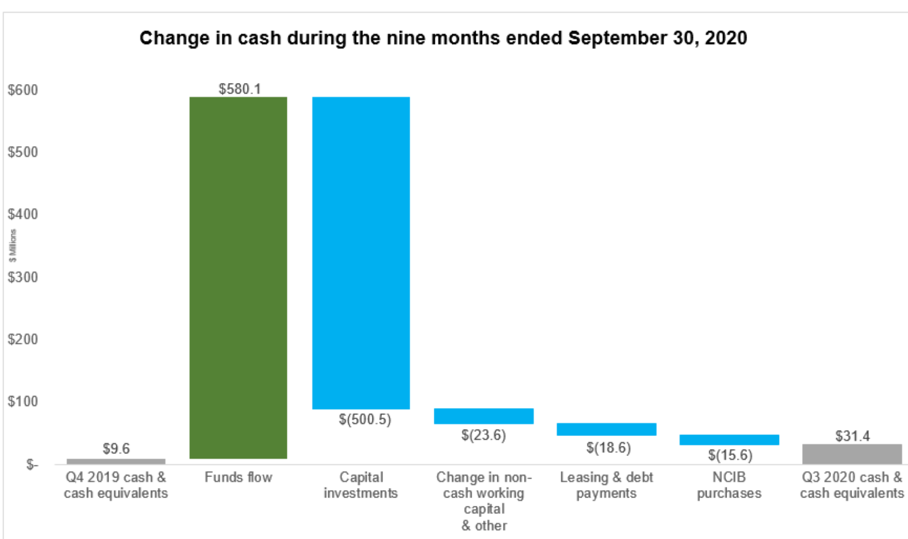


During the nine months ended September 30, 2020, the Company's adjusted net loss was $33.3 million compared to adjusted net income of $259.8 million during the same period in the prior year. The decrease in adjusted net income was primarily due to lower funds flow from lower commodity prices and lower production.

Net income (loss)

During the three months ended September 30, 2020, Seven Generations recognized a net loss of $66.8 million compared to net income of $85.1 million during the same period in the prior year. The decrease in net income was primarily due to lower funds flow of $174.2 million and unrealized losses on risk management contracts of $115.2 million during the third quarter of 2020, compared to an unrealized hedging gain of $44.1 million in 2019. The decline was partially offset by $45.2 million in unrealized foreign exchange gains on the Company's debt instruments compared to unrealized losses of $24.7 million on those instruments in 2019.

During the nine months ended September 30, 2020, Seven Generations recognized a net loss of $1,192.9 million compared to net income of $391.2 million during the same period in the prior year. The decrease in net income was primarily due to an impairment loss of $1,442.6 million, lower funds flow of $454.5 million and an unrealized foreign exchange loss on the Company's debt instruments of $54.9 million in the first nine months of 2020. The declines were partially offset by unrealized gains on risk management contracts of $11.3 million in 2020, compared to unrealized losses of $9.3 million on those instruments in the third quarter of 2019.



Seven Generations generated free cash flow of $79.6 million during the first nine months of 2020 compared to $38.0 million during the same period in 2019. The funds were primarily utilized for working capital, leasing and debt payments and to purchase $15.6 million of the Company's common shares early in the first quarter of 2020. Figures presented in the table above can be found in the cash flow statement in Seven Generations' interim financial statements for the nine months ended September 30, 2020. Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

Return on capital investments

Seven Generations generated a ROCE of 3.5% during the 12 months ended September 30, 2020 (September 30, 2019 - 8.6%). The CROIC during the same period was 9.0%, compared to 14.1% for the 12 months ended September 30, 2019. The declines in the Company's ROCE and CROIC measures were primarily due to lower commodity prices and lower production in the first nine months of 2020, compared to the same periods in the prior year.

The following table summarizes the calculation of the Company's ROCE and CROIC for the following periods presented:

	12 months ended September 30,			12 months ended June 30,		12 months ended December 31,	
($ millions)[1]	**2020**	**2019**	**% Change**	**2020**	**% Change**	**2019**	**% Change**
Net Debt[2]	**$ 2,196.3**	$ 2,138.1	3	$ 2,201.8	—	$ 2,153.0	2
Shareholders Equity[1]	**4,581.6**	4,929.1	(7)	4,599.2	—	5,024.4	(9)
Total Capitalization[2]	**6,777.9**	7,067.2	(4)	6,801.0	—	7,177.4	(6)
Adjusted EBIT[2]	**$ 235.7**	$ 608.8	(61)	$ 379.2	(38)	$ 642.7	(63)
ROCE[2]	**3.5%**	8.6%	(59)	5.6%	(38)	9.0%	(61)
Average net book value of oil and natural gas assets	**$ 7,349.8**	$ 7,836.0	(6)	$ 7,323.5	—	$ 7,851.6	(6)
Accumulated depreciation, depletion and impairment	**4,395.5**	2,818.3	56	4,187.0	5	3,048.1	44
Average gross oil and natural gas assets invested	**11,745.3**	10,654.3	10	11,510.5	2	10,899.7	8
Adjusted EBITDA[2]	**$ 1,058.4**	$ 1,498.1	(29)	$ 1,234.3	(14)	$ 1,524.6	(31)
CROIC[2]	**9.0%**	14.1%	(36)	10.7%	(16)	14.0%	(36)

(1) Adjusted EBITDA, adjusted EBIT, net debt and shareholders equity are based on the 12-month trailing figures from the dates indicated. Average gross oil and gas assets, have been calculated using the opening and closing balances for the 12-month trailing period.
(2) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. Certain comparative figures have been restated to conform with current period presentation.

CURRENT OPERATING ENVIRONMENT

The oil and natural gas industry experienced an unprecedented decline in commodity prices due to significant deterioration in oil demand stemming from the global COVID-19 pandemic in 2020. During the third quarter of 2020, prices have recovered modestly in response to production cuts announced by OPEC+ as well as gradual relaxations of government mandated isolation protocols, however, the continued reduced demand for crude oil and natural gas due to the pandemic continues to weigh on commodity prices and given the potential for further Government mandated isolation protocols as the number of infection cases continues to rise.

While the current operating environment presents significant challenges for the Canadian oil and natural gas industry, Seven Generations remains well positioned. The Company has available funding of $1.1 billion, primarily consisting of undrawn credit capacity that matures at the end of 2024. Approximately half of the Seven Generations' senior notes mature in 2023 with the remaining half maturing in 2025. Seven Generations' ongoing routine risk management program has also protected a portion of the Company's cash flows in the near term. Seven Generations exited the third quarter of 2020 having realized $212.6 million of hedging gains during the first nine months of 2020.

Seven Generations has undertaken a number of 2020 initiatives in response to the lower commodity price environment with the objective of continuing to operate within cash flow and limit utilization of available credit, including:

- a 41% reduction in the capital investment budget;
- suspension of the Company's NCIB share buyback program;
- reduction of the Company's target leverage metric, net debt to adjusted EBITDA, from 2.0 to 1.5;
- higher percentage of liquids and foreign exchange exposure hedged in the second half of 2020;
- 10-15% salary reduction for Executive Officers and a 25% reduction to Board of Director compensation;
- 8% reduction in staff; and
- a company-wide cost reduction and efficiency initiative.

During the first quarter of 2020, in response to the steep decline in commodity prices, Seven Generations tested its Kakwa River Project for impairment. The results of the impairment test indicated that the carrying value of the Company's assets was not fully recoverable at current commodity prices. For the three months ended March 31, 2020, Seven Generations recognized an impairment loss of $1,442.6 million ($1,110.8 million after tax), representing an 18% decline in the carrying value of the Kakwa River Project to $6.7 billion. There were no indicators of impairment or impairment reversal identified by the Company during the second or third quarter of 2020.

Further declines in commodity prices could lead to additional impairment losses and a prolonged low commodity price environment could result in a longer-term negative impact to the Company. Seven Generations remains nimble and has the ability to quickly scale development activities in response to changes in market conditions.

CAPITAL INVESTMENTS

	Three months ended September 30,			Nine months ended September 30,		
($ millions)	2020	2019	% Change	2020	2019	% Change
Drilling and completions	$ **126.2**	$ 171.0	(26)	$ **304.7**	$ 575.3	(47)
Facilities and infrastructure	**20.3**	76.9	(74)	**141.4**	328.6	(57)
Land and other[1]	**18.8**	36.7	(49)	**54.4**	92.7	(41)
Total capital investments	$ **165.3**	$ 284.6	(42)	$ **500.5**	$ 996.6	(50)

(1) Includes camps, workovers, construction, office investments and capitalized salaries and benefits.

Drilling and completions

The following table summarizes Seven Generations' drilling and completion metrics for Montney development activities in the Kakwa River Project:

	Three months ended September 30,			Nine months ended September 30,		
Nest Activity	2020	2019	% Change	2020	2019	% Change
Drilling[1]						
Horizontal wells rig released	**9**	20	(55)	**35**	57	(39)
Average measured depth (m)	**6,416**	5,979	7	**6,121**	6,037	1
Average horizontal length (m)	**3,098**	2,785	11	**2,890**	2,785	4
Average drilling days per well	**31**	25	24	**29**	28	4
Average drill cost per metre ($)[2]	**487**	502	(3)	**506**	551	(8)
Average well cost ($ millions)[2]	**3.1**	3.0	3	**3.1**	3.3	(6)
Completion[1]						
Wells completed	**19**	30	(37)	**46**	67	(31)
Average tonnes pumped per metre	**2.0**	2.1	(5)	**1.9**	2.0	(5)
Average cost per tonne ($)[2]	**646**	917	(30)	**797**	1,058	(25)
Average cost per lateral metre ($)[2]	**1,269**	1,884	(33)	**1,543**	2,080	(26)
Average well cost ($ millions)[2]	**3.4**	5.4	(37)	**3.9**	5.8	(33)
Total D&C cost per well ($ millions)[2][3]	**6.5**	8.4	(23)	**7.0**	9.1	(23)
Wells brought on production	**23**	15	53	**49**	57	(14)

(1) The metrics include all horizontal Montney wells that are tied in for production. Excluded from the metrics are vertical wells re-drilled, abandoned wells, water disposal wells as well as any delineated and expiring wells not tied in for production. Drilling counts are based on rig release date and on production counts are based on the first production date after the wells are tied in to permanent facilities.
(2) Information provided is based on field estimates and is subject to change.
(3) The number of horizontal wells rig-released do not correspond to the number of wells completed in the table above. Accordingly, the total average D&C costs per well may differ from the actual D&C costs for any individual well.

During the three and nine months ended September 30, 2020, per well drilling costs remained relatively consistent compared to the same periods in the prior year, despite drilling longer laterals in 2020 as improvements in drilling efficiencies from well-placement optimizations, production casing recycling, waste management and lower service costs resulted in lower average drilling costs per metre.

During the three and nine months ended September 30, 2020, completion costs per well declined by 37% and 33%, respectively, compared to the same periods in 2019. Seven Generations revised its well completion design by incorporating fewer stages, with more perforation clusters per stage, allowing for a more efficient placement of sand along the wellbore with reduced milling time and water usage. The declines in per well completion costs were primarily due to lower average costs per tonne as a result of milling utilization, less water usage, lower proppant costs, shorter testing periods, lower day rates and less pumping hours. The Company continues to pursue the optimization of completion techniques and innovations that will help drive efficiencies, boost production and lower development costs.

Facilities and infrastructure

During the nine months ended September 30, 2020, the Company invested $141.4 million on facilities and infrastructure to support the Company's new pad developments and provide pipeline interconnectivity across the Kakwa River Project. Investments during the third quarter of 2020 included upgrades to the Company's Karr Condensate Processing Facility during a 22-day turnaround project. Capitalized enhancements included an upgrade to the boiler system which is anticipated to improve reliability, operational run-times and condensate stabilization specifications.

OPERATING RESULTS

Daily sales volumes

	Three months ended September 30,			Nine months ended September 30,		
Sales volumes[1]	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Condensate (mbbl/d)	**57.6**	75.5	(24)	**63.6**	74.7	(15)
Natural gas (MMcf/d)	**434.6**	515.3	(16)	**463.7**	496.3	(7)
Other NGLs (mbbl/d)	**38.8**	43.2	(10)	**40.9**	43.9	(7)
Total sales volumes (mboe/d)	**168.9**	204.6	(17)	**181.8**	201.3	(10)
Liquids percentage of sales	**57%**	58%	(2)	**57%**	59%	(3)
Condensate-to-gas ratio (bbls/MMcf)	**133**	147	(10)	**137**	151	(9)

(1) Excludes volumes that were purchased and re-sold in respect of the Company's transportation utilization and marketing activities. See "Note Regarding Product Types" in the Advisories and Guidance section of this MD&A.

Seven Generations' sales volumes relate to production from the Kakwa River Project that is delivered to the market. As at September 30, 2020, the Company had over 550 net horizontal Montney producing wells in the Kakwa River Project with an inventory of 39 wells at various stages of construction between drilling, completion and tie-in (September 30, 2019 - 482 wells producing and 58 wells under construction).

During the three and nine months ended September 30, 2020, Seven Generations produced 168.9 mboe/d and 181.8 mboe/d, respectively, compared to 204.6 mboe/d and 201.3 mboe/d during the same periods in the prior year. The declines in production were primarily the result of a reduction in the Company's 2020 development activities in response to declining commodity prices due to the COVID-19 pandemic and the decision to delay the startup of a number of completed wells in the first half of 2020 until commodity prices improved. Third quarter production was also impacted by the 22-day Karr turnaround project. Seven Generations' anticipated production for the year ended December 31, 2020 is in line with the Company's revised guidance of 180 to 185 mboe/d.

During the three months ended September 30, 2020, liquids yields averaged 57%, with a condensate-to-gas ratio of 133 bbl/MMcf, compared to 58% liquids and 147 bbl/MMcf during the same period in 2019. The decrease in the condensate-to-gas ratio was primarily due to a lower concentration of liquids produced from initial volumes on Nest 3 wells brought on in 2020.

Benchmark prices

	Three months ended September 30,			Nine months ended September 30,		
Average Monthly Benchmark Prices	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Oil - WTI (US$/bbl)	**$ 40.93**	$ 56.45	(27)	**$ 38.32**	$ 57.06	(33)
Oil - WTI (C$/bbl)	**$ 54.52**	$ 74.56	(27)	**$ 51.85**	$ 75.86	(32)
Condensate - CRW Pool (C$/bbl)	**$ 49.88**	$ 68.78	(27)	**$ 46.01**	$ 70.06	(34)
Natural gas - NYMEX Henry Hub (US$/MMBtu)	**$ 1.98**	$ 2.23	(11)	**$ 1.88**	$ 2.67	(30)
Natural gas - Chicago Citygate (US$/MMBtu)	**$ 1.87**	$ 2.03	(8)	**$ 1.81**	$ 2.60	(30)
Natural gas - Dawn (US$/MMBtu)	**$ 1.82**	$ 2.13	(15)	**$ 1.74**	$ 2.46	(29)
Natural gas - Malin (US$/MMBtu)	**$ 1.98**	$ 2.07	(4)	**$ 1.78**	$ 2.89	(38)
Natural gas - AECO 5A (C$/GJ)	**$ 2.12**	$ 0.86	147	**$ 1.98**	$ 1.44	38
Average exchange rate - C$ to US$	**1.332**	1.320	1	**1.353**	1.329	2

The majority of Seven Generations' condensate production is delivered and sold in Central Alberta through Pembina's pipeline systems. The price of WTI for crude oil sales at Cushing, Oklahoma is the primary benchmark for crude oil pricing in North America. The price that Seven Generations receives for its condensate production is primarily driven by local supply and demand and the price of WTI, adjusted for changes in foreign exchange rates, transportation costs and quality differentials.

During the three and nine months ended September 30, 2020, the average WTI benchmark price declined by 27% and 33%, compared to the same periods in the prior year, primarily due to the steep decline in oil demand as a result of the COVID-19 pandemic, particularly in the second quarter.

The CRW Pool price for liquids sales in Alberta is the primary reference price for condensate in Western Canada. During the third quarter of 2020, the CRW Pool price was 91% of the Canadian dollar equivalent WTI benchmark price, compared to 92% during the third quarter of 2019. During the nine months ended September 30, 2020, the CRW Pool price was 89% of the Canadian dollar equivalent WTI benchmark price compared to 92% during the same period in 2019. Growth in the CRW differential in 2020 was primarily due to rising local storage inventories in the Province of Alberta for crude oil and liquids during the second quarter. Restrictions eased in the third quarter resulting in improved demand for local supply bringing the differential closer in line with the third quarter of 2019.

Seven Generations delivers approximately 80% of its natural gas production to the United States primarily via the Alliance pipeline system, the majority of which is sold in Chicago, Illinois. From there, the Company also delivers a portion of its natural gas to the US Gulf Coast on the NGPL pipeline system. Accordingly, the Chicago Citygate and Henry Hub prices are the primary benchmarks for the Company's natural gas sales in the United States in 2019 and 2020.

During the third quarter of 2020, the Chicago Citygate and Henry Hub benchmark prices declined by 8% and 11%, respectively, compared to the third quarter of 2019. Compared to the nine months ended September 30, 2019, the Chicago Citygate and Henry Hub benchmark prices decreased by 30%. The declines in benchmark prices were primarily due to lower demand for natural gas as a result of the COVID-19 pandemic, particularly in the second quarter.

Seven Generations delivers the majority of its remaining natural gas production to the Dawn, Ontario and Malin, Oregon markets on the TC Energy and GTN systems, respectively.

Realized prices

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	**2020**	2019	% Change
Condensate ($/bbl)	**$ 47.40**	$ 65.59	(28)	**$ 43.82**	$ 66.91	(35)
Natural gas ($/Mcf)	**2.61**	2.85	(8)	**2.59**	3.47	(25)
Other NGLs ($/bbl)	**14.60**	2.74	nm	**11.73**	4.79	145
Total ($/boe)[1]	**$ 26.24**	$ 31.97	(18)	**$ 24.57**	$ 34.42	(29)

(1) Excludes realized hedging gains and losses as well as volumes that were purchased and re-sold in respect of the Company's transportation utilization and marketing activities. See "Note Regarding Product Types" in the Advisories and Guidance section of this MD&A.

During the three and nine months ended September 30, 2020, the Company's realized condensate price decreased by 28% and 35%, respectively, compared to the same periods in the prior year, primarily due to weaker average crude oil benchmark prices in 2020. For the three and nine months ended September 30, 2020, Seven Generations' realized natural gas price decreased by 8% and 25%, respectively, compared to the same periods in 2019, primarily due to declines in the Henry Hub and Chicago Citygate benchmark prices.

Seven Generations' product mix of other NGLs consists of approximately 40% ethane, 40% propane and 20% butane. Approximately 60% of the Company’s other NGLs are sold in the US Midwest market and 40% are sold in the Alberta market. The increases on the Company's realized other NGL prices compared to the same periods in the prior year were primarily due to higher realized propane and butane prices from price improvements on annual NGL price contract renewals.

Liquids and natural gas sales[1]

($ millions, except per boe data)	Three months ended September 30, 2020	2019	% Change	Nine months ended September 30, 2020	2019	% Change
Condensate	$ 251.2	$ 455.6	(45)	$ 763.7	$ 1,364.5	(44)
Natural gas	104.4	135.3	(23)	328.6	469.8	(30)
Other NGLs	52.1	10.9	nm	131.4	57.4	129
Liquids and natural gas sales[2]	$ 407.7	$ 601.8	(32)	$ 1,223.7	$ 1,891.7	(35)
Liquids and natural gas sales per boe	$ 26.24	$ 31.97	(18)	$ 24.57	$ 34.42	(29)

(1) See "Note Regarding Product Types" in the Advisories and Guidance section of this MD&A.
(2) Excludes volumes that were purchased and re-sold in respect of the Company's transportation utilization and marketing activities.

Liquids and natural gas sales relate to the sale of condensate and liquids-rich natural gas from the Company's Kakwa River Project.

During the three months ended September 30, 2020, Seven Generations recognized $407.7 million in liquids and natural gas sales, a decrease of $194.1 million compared to the third quarter of 2019. The decline was due to lower realized prices of $89.1 million and lower volumes of $105.0 million. For the nine months ended September 30, 2020, liquids and natural gas sales were $1,223.7 million, decreasing by $668.0 million compared to the same period in the prior year. The year to date decline was due to lower realized prices of $491.0 million and lower volumes of $177.0 million.

Marketing income (loss)

($ millions, except per boe data)	Three months ended September 30, 2020	2019	% Change	Nine months ended September 30, 2020	2019	% Change
Sale of purchased liquids and natural gas	$ 161.2	$ 78.4	106	$ 399.4	$ 269.2	48
Less: cost of product purchases	(153.7)	(66.0)	133	(387.0)	(215.6)	79
Less: transportation expenses	(17.3)	(8.9)	94	(43.5)	(35.5)	23
Add: third party marketing income (loss)	(0.2)	0.1	nm	(0.3)	0.4	nm
Marketing income (loss)[1]	$ (10.0)	$ 3.6	nm	$ (31.4)	$ 18.5	nm
Marketing income (loss) per boe[1]	$ (0.64)	$ 0.19	nm	$ (0.63)	$ 0.34	nm

(1) See "Non-GAAP measures" in the Advisories and Guidance section of this MD&A.

Marketing income (loss) relates to the purchase and sale of liquids and natural gas in order to utilize the Company's pipeline capacity or fulfill sales nominations, primarily on the Alliance, NGTL, Pembina, NGPL, GTN and TC Energy pipeline systems.

During the three and nine months ended September 30, 2020, Seven Generations recognized marketing losses of $10.0 million and $31.4 million, respectively, compared to marketing income of $3.6 million and $18.5 million during the same periods in the prior year. The losses were primarily due to narrower differentials between local and US Midwest natural gas prices along the Alliance pipeline system as a result of higher Alberta natural gas prices in 2020. The losses were also due to condensate pipeline apportionments on the Pembina system.

Marketing activities increased during the three and nine months ended September 30, 2020, primarily due to higher mitigation activities on contracted pipelines as a result of growth in the Company's transportation capacity and lower production in 2020.

The purchase and sale of liquids and natural gas in respect of the Company's marketing activities are not included within the presentation of sales volumes, realized prices or liquids and natural gas sales in this MD&A. The transportation expenses relating to pipeline tariffs for purchased third-party volumes have also been excluded from the "Transportation, processing and other expenses" section below.

Risk management contracts

($ millions, except per boe data)	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Realized gain	$ 42.9	$ 30.6	$ 212.6	$ 25.4
Unrealized gain (loss)	(115.2)	44.1	11.3	(9.3)
Risk management gain (loss)	$ (72.3)	$ 74.7	$ 223.9	$ 16.1
Realized gain per boe	$ 2.76	$ 1.63	$ 4.27	$ 0.46

Seven Generations continues to execute a consistent risk management program which is primarily designed to reduce revenue and cash flow volatility, generate sufficient cash flows to service debt obligations and fund a portion of the Company's capital investment program. Seven Generations hedges liquids and natural gas pricing exposures and exchange rates through a rolling three year hedging program. Price targets are established at levels that are expected to provide a high degree of confidence in the Company's ability to internally fund the proposed capital investment program. Seven Generations' policy is to hedge between 35% to 65% of current production forecasts of condensate and natural gas volumes (net of royalties) for the upcoming four quarters, between 10% to 35% for the subsequent four quarters and between 0% to 20% for the four quarters following.

Derivative contract settlements are recognized as a realized gain or loss. The fair value of the Company's unsettled derivatives are recorded as an asset or liability at each reporting period with any change in the mark-to-market position of the contracts recognized as an unrealized gain or loss in net income (loss).

The following table summarizes the changes in the value of risk management contracts during the nine months ended September 30, 2020:

($ millions)	Oil	Natural gas	Foreign exchange	Total
Derivative asset (liability) as at December 31, 2019	$ (41.1)	$ 34.1	$ 1.5	**$ (5.5)**
Realization of derivative (gains) losses	(160.5)	(52.3)	0.2	**(212.6)**
Unrealized increase (decrease) in fair value	255.8	(31.1)	(0.8)	**223.9**
Derivative asset (liability) as at September 30, 2020	$ 54.2	$ (49.3)	$ 0.9	**$ 5.8**

During the three and nine months ended September 30, 2020, Seven Generations' had realized derivative gains of $42.9 million and $212.6 million, respectively, primarily due to low crude oil and natural gas prices in 2020 relative to the Company's fixed contract positions. During the three and nine months ended September 30, 2019, Seven Generations' realized derivative gains of $30.6 million and $25.4 million, respectively, were primarily due to weak natural gas prices during the third quarter of 2019.

Seven Generations recognized unrealized derivative losses of $115.2 million in the third quarter of 2020, primarily due to the realization of previously recognized unrealized gains on the Company's crude oil and natural gas derivative contract positions and a modest recovery of commodity futures during the third quarter. The losses were partially offset by unrealized derivative gains on foreign exchange contracts due to a decrease in the value of the Canadian dollar relative to the US dollar. For the nine months ended September 30, 2020, Seven Generations recognized unrealized derivative gains of $11.3 million primarily due to declines in commodity prices during the first quarter of 2020 relative to the Company's derivative contract positions, partially offset by the realization of derivative gains and increased forward NYMEX Henry Hub prices in the second and third quarters of 2020.

During the nine months ended September 30, 2019, the Company recognized unrealized derivative losses of $9.3 million primarily due to declines in the value of unrealized natural gas hedges from the realization and unwinding of previously recognized derivative contract gains. These unrealized derivative losses were partially offset by unrealized derivative gains on foreign exchange contracts as a result of a weakening Canadian dollar relative to the US dollar during the first nine months of 2019.

Royalty expense

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	2020	2019	% Change	2020	2019	% Change
Royalties	**$ 27.4**	$ 37.5	(27)	**$ 83.8**	$ 118.6	(29)
Royalties per boe	**$ 1.76**	$ 1.99	(12)	**$ 1.68**	$ 2.16	(22)
Effective royalty rate (%)(1)	**7**	6	17	**7**	6	17

(1) Calculated as total royalty expenses divided by liquids and natural gas sales, excluding sales of purchased product.

Seven Generations pays royalties to the Province of Alberta in respect to the Company's production and sales volumes from the Kakwa River Project. Seven Generations' new wells qualify for Crown incentive programs which have a low initial royalty rate until a threshold return of capital has been achieved.

During the three months ended September 30, 2020, royalty expenses were $27.4 million, compared to $37.5 million during the same period in the prior year. During the first nine months of 2020, royalty expenses were $83.8 million, compared to $118.6 million during the same period in 2019. The declines in royalty expenses were primarily due to lower commodity reference prices and lower production, partially offset by a greater number of wells no longer under incentive royalty rates and lower eligible gas cost allowance credits in 2020.

Operating expenses

($ millions, except per boe data)	Three months ended September 30, 2020	2019	% Change	Nine months ended September 30, 2020	2019	% Change
Equipment rental and maintenance	**$ 32.0**	$ 25.4	26	**$ 79.5**	$ 82.5	(4)
Water trucking and disposal	**12.8**	31.2	(59)	**49.2**	82.5	(40)
Staff and contractor costs	**19.1**	16.1	19	**45.9**	47.0	(2)
Chemicals and fuel	**12.3**	12.3	—	**38.4**	38.6	(1)
Property tax, insurance and other	**6.1**	5.6	9	**18.7**	19.3	(3)
Operating expenses	**$ 82.3**	$ 90.6	(9)	**$ 231.7**	$ 269.9	(14)
Operating expenses per boe	**$ 5.30**	$ 4.81	10	**$ 4.65**	$ 4.91	(5)

Seven Generations' operating expenses primarily consist of the field lifting costs associated with the Company's production from the Kakwa River Project.

During the three and nine months ended September 30, 2020, operating expenses decreased by 9% and 14%, respectively, compared to the same periods in 2019. The decrease in gross operating expenses were primarily due to lower trucking and disposal costs, primarily due to the Company's water handling initiatives, including the development of wholly-owned and third-party multi-well water disposal systems and lower production. The decrease in operating expenses was partially offset by an increase in maintenance costs associated with the 22-day turnaround at the Karr Condensate Processing Facility and select pad sites which occurred in the third quarter of 2020. Operational activities as part of the turnaround included routine maintenance, cleaning, hauling and various equipment replacements.

During the three months ended September 30, 2020, Seven Generations' operating expense per boe increased by 10% to $5.30, compared to $4.81 during the same period in the prior year. The increase in operating expenses was primarily due to the Karr turnaround in the third quarter of 2020 and lower volumes. Year to date, operating costs per boe declined by 5% overall to $4.65 per boe, primarily due to the Company's ongoing water handling initiatives.

During the first quarter of 2019, Seven Generations entered into a third-party water disposal agreement with an undiscounted take-or-pay commitment of $88.4 million over five years. The right-of-use assets associated with that agreement became available for use to the Company during the first quarter of 2020 and Seven Generations recognized a discounted right-of-use asset and corresponding lease liability on the consolidated balance sheet for the discounted value of the minimum lease payments under the contract.

Minimum take-or-pay lease payments under the lease contract are reflected as a financing activity in the interim financial statements. Volumes delivered in excess of the minimum-take-or-pay are reflected as operating expenses. Lease payments under the third-party water disposal agreement commenced during the second quarter of 2020. For the nine months ended September 30, 2020, the Company recognized $7.2 million in financing related cash outflows associated with the contract.

Transportation, processing and other

($ millions, except per boe data)	Three months ended September 30, 2020	2019	% Change	Nine months ended September 30, 2020	2019	% Change
Pipeline tariffs(1)	**$ 87.2**	$ 90.8	(4)	**$ 268.1**	$ 263.3	2
Processing	**27.7**	19.6	41	**82.3**	62.6	31
Trucking and other	**7.2**	11.2	(36)	**21.1**	35.7	(41)
Transportation, processing and other	**$ 122.1**	$ 121.6	—	**$ 371.5**	$ 361.6	3
Transportation, processing and other per boe	**$ 7.86**	$ 6.46	22	**$ 7.46**	$ 6.58	13

(1) Excludes pipeline tolls related to purchased volumes that are transported to market for sale (presented net of marketing income).

Seven Generations' transportation and processing expenses primarily relate to tolls on the Pembina, NGTL, TC Energy, NGPL, GTN and Alliance pipeline systems in order to deliver condensate, natural gas and other NGLs to market. The Company delivers more than 80% of its condensate production to market directly via pipeline. Seven Generations trucks a portion of its liquids volumes that are in excess of its current pipeline transportation capacity or that are not tied directly into the Pembina system. The Company incurs processing and fractionation fees for capacity at facilities owned by Keyera, Plains and Pembina, including the Pembina Kakwa River Gas Plant under a natural gas processing agreement that was assumed as part of a major asset acquisition during the third quarter of 2016.

Seven Generations' natural gas transportation capacity provides geographic diversification across North America. The Company sells more than 95% of its natural gas outside of Alberta to the US Midwest, US Pacific Northwest, Eastern Canada and to an LNG export facility off the US Gulf Coast in Louisiana.

Compared to the same periods in 2019, transportation and processing expenses per boe increased by 22% and 13%, respectively, during the three and nine months ended September 30, 2020. The increases were primarily due to higher pipeline tariffs as a result of growth in the Company's transport capacity in 2020 and higher processing fees for natural gas volumes flowing through third-party facilities. The growth in transportation and processing expenses on a per boe basis in 2020 was also due to lower production from the deferral of field development activities and the third quarter turnaround activities. The increases in transportation and processing expenses were partially offset by lower trucked condensate volumes.

Take or pay commitments

The following table outlines the average volumetric take or pay obligations over the next five years, under the Company's delivery and receipt transportation and processing agreements:

	Destination	2020	2021	2022	2023	2024
Transportation(1)						
Condensate						
Pembina (mbbl/d)	**Central Alberta**	58	58	58	58	58
Natural gas						
Alliance (MMcf/d)(2)	**US Midwest**	513	508	425	8	8
NGTL Receipt (MMcf/d)	**Alberta**	501	560	567	567	544
NGTL Empress Delivery (MMcf/d)	**Eastern Canada**	80	80	67	—	—
TCPL Mainline Delivery (MMcf/d)		77	77	77	77	77
NGTL A/BC Delivery (MMcf/d)	**Pacific Northwest**(3)	82	77	77	77	77
Foothills (BC) Delivery (MMcf/d)		81	76	76	76	76
GTN (MMcf/d)		82	77	77	77	77
NGPL (MMcf/d)	**US Gulf Coast**	155	155	155	155	155
Other NGLs						
Pembina (mbbl/d)	**Edmonton Alberta**	26	26	26	26	26
Processing						
Pembina - natural gas (MMcf/d)	**Alberta**	200	200	200	200	200
Other NGLs (mbbl/d)		38	38	38	38	38

(1) The Company holds a transportation agreement with Keyera Partnership to deliver condensate and other NGLs along the proposed KAPS pipeline from the Kakwa River Project to the Fort Saskatchewan liquids hub. KAPS is being developed jointly by Keyera and SemCAMS Pipelines Limited Partnership. The pipeline is anticipated to commence operations in 2023, subject to certain conditions including regulatory approvals. Seven Generations has committed volumes to the project but the total commitment will not be finalized until the in-service date of the pipeline. The agreement carries a term of greater than 10 years.
(2) Seven Generations holds an option to extend the Company's Alliance transportation capacity beyond 2023.
(3) During the third quarter of 2020, Seven Generations reassigned 16% of the Company's transport capacity on the GTN system to other third parties, commencing in the fourth quarter of 2020.

Depletion and depreciation

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	2020	2019	% Change	2020	2019	% Change
Depletion and depreciation	**$ 192.0**	$ 224.4	(14)	**$ 595.8**	$ 655.0	(9)
Depletion and depreciation per boe	**$ 12.36**	$ 11.92	4	**$ 11.96**	$ 11.92	—

Depletion and depreciation reflects the development cost of Seven Generations' investments which are initially capitalized and then amortized to net income over their estimated useful lives. The majority of the Company's PP&E is depleted using the unit-of-production method based on the estimated recoverable amount from 2P reserves. The depletion base consists of the historical net book value of capitalized costs, plus estimated future development costs required to develop the Company's estimated 2P reserves. Seven Generations also depreciates its major components, such as natural gas facilities, on a straight line basis over their useful lives and recognizes write-downs for the expiration of E&E acreages.

During the three and nine months ended September 30, 2020, depletion and depreciation decreased by 14% and 9%, respectively, compared to the same periods in the prior year, primarily due to lower production from the Kakwa River Project in 2020. Depletion and depreciation on a per boe basis increased in third quarter of 2020 primarily due to the de-recognition of equipment costs that were replaced as part of the third quarter turnaround activities. Rates for the nine months ended September 30, 2020, were relatively consistent with the same period in the prior year as higher depletion and depreciation as a result of the turnaround were mostly offset by lower depletion rates due to an impairment loss recognized during the first quarter.

Impairment loss

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	2020	2019	% Change	2020	2019	% Change
Impairment loss	$ —	$ —	—	$ 1,442.6	$ —	nm

During the first quarter of 2020, Seven Generations identified indicators of impairment as a result of a steep decline in commodity prices primarily due to a growth in oil supply from OPEC+, as well as the deterioration of market demand for oil stemming from the global COVID-19 pandemic.

Seven Generations performed an impairment test on the Company's single cash generating unit ("CGU"), the Kakwa River Project, primarily utilizing after-tax discounted future cash flows from proved plus probable reserves in order to estimate the CGU's fair-value-less-cost-to-sell valuation. Seven Generations also utilized observable third-party land transactions adjacent to the Company's assets for valuing undeveloped exploration acreage. The results of the impairment test indicated that the net book value of Seven Generations' oil and natural gas assets exceeded their recoverable value and the Company recognized an impairment loss of $1,442.6 million in the first quarter of 2020. Seven Generations did not identify any indicators of impairment or impairment reversal during the second or third quarter of 2020.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

Seven Generations' current objective for managing capital is to maintain a strong balance sheet in order to provide financial liquidity to fund ongoing development programs or enhance the Company's net debt composition. Since the fourth quarter of 2018, the Company had also previously utilized funds flow in excess of capital expenditures for NCIB purchases. The NCIB was suspended during the second quarter of 2020 in order to conserve capital in response to a steep decline in commodity prices due to the COVID-19 pandemic.

Seven Generations manages its debt and equity with the objective of balancing the level of risk being incurred through its capital investment programs with the Company's weighted average cost of capital. Seven Generations' business plan targets a trailing 12-month ratio of net debt to adjusted EBITDA of less than 1.5 in a US$50.00 WTI and US$2.50 NYMEX Henry Hub commodity price environment. Previously, the Company had targeted a metric of less than 2.0 but recent extreme volatility in commodity prices and the shift to prioritize free cash flow over growth have prompted Seven Generations to reduce its corporate leverage target. The Company will require a period of allocating free cash flow to net debt reduction and a modest recovery in liquids and natural gas prices for Seven Generations to reach this revised target. The Company is targeting total net debt of $1.5 - $1.7 billion. The ratio was 2.1 for the 12 months ended September 30, 2020 (December 31, 2019 - 1.4). In the near term, the Company plans to utilize any funds flow in excess of capital expenditures to reduce net debt in order to align the Company’s balance sheet with its revised leverage targets.

Seven Generations manages liquidity risk by designing field development plans in conjunction with commodity price forecasting which provides the Company with an opportunity to fund its capital investment program and expenses using cash generated from operating activities. Seven Generations also manages liquidity risk by preserving ample borrowing capacity under the Credit Facility and managing the term of the senior notes, which provides flexibility with respect to future refinancing options associated with those instruments.

Management believes the Company has sufficient funding to meet near-term liquidity requirements. As at September 30, 2020, Seven Generations' earliest debt maturity date is May 2023 and the Company also has $1.1 billion of available credit under the Credit Facility, maturing near the end of 2024. Near-term development activities and any purchases of senior notes are anticipated to be funded by the Company's funds flow, cash on hand or draws under the Credit Facility.

Available funding

($ millions)		September 30, 2020		December 31, 2019
Current assets	$	**350.0**	$	378.4
Current liabilities		**(348.2)**		(438.7)
Working capital		**1.8**		(60.3)
Adjusted for:				
Current portion of risk management assets		**(52.4)**		(24.7)
Current portion of risk management liabilities		**30.5**		36.0
Adjusted working capital(1)		**(20.1)**		(49.0)
Credit Facility capacity		**1,133.2**		1,400.0
Available funding(1)	$	**1,113.1**	$	1,351.0

(1) Refer to the Advisories and Guidance section of this MD&A for additional information regarding the Company's GAAP and non-GAAP measures.

As at September 30, 2020, Seven Generations had available funding of C$1.1 billion which primarily consisted of a senior secured credit facility (the "Credit Facility") of C$1.4 billion (C$266.8 million drawn as at September 30, 2020). The following table outlines the key terms of the Credit Facility:

As at	Financial covenants		September 30, 2020
Credit Facility details:			
Operating line draws (C$ millions)		**$**	**—**
Syndicated Credit Facility draws (US$200.0 million)		**$**	**266.8**
Undrawn capacity (C$ millions)		**$**	**1,133.2**
Total Credit Facility capacity (C$ millions)		**$**	**1,400.0**
Credit Facility maturity date			**Dec. 13, 2024**
Effective annual interest rate on 2020 draws			**1.4%**
Covenants:(1)			
Senior Secured Net Debt to Adjusted EBITDA Ratio	<3.0:1		**0.2:1**
Adjusted EBITDA to Interest Expense Ratio	>2.5:1		**8.3:1**
AER liability management ratio ("LMR")	>1.25		**30.57**
AER abandonment and reclamation orders(2)	<$110.0M or 1.5%		**None**

(1) The Credit Facility is secured by a floating charge over Seven Generations' assets and contains certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain dispositions and transfers of assets.
(2) Cannot exceed the greater of $110.0 million and 1.5% of the carrying value of the Company's oil and gas assets if the orders have not been withdrawn or satisfied within prescribed timelines.

In March 2020, the Company drew US$200.0 million on the Credit Facility to purchase and retire US$200.0 million of senior notes due in 2023. The transaction effectively transferred a portion of long-term debt to the Credit Facility, thereby reducing the effective interest rate on US$200.0 million of the Company's long-term debt from 6.8% to approximately 1.4% and extending a portion of 2023 debt maturities to the end of 2024. Seven Generations is exposed to foreign exchange rate fluctuations on the principal and interest values of this long-term US dollar denominated cash draw. The Company has the ability to convert the US dollar denominated Credit Facility draws to Canadian dollars at prevailing foreign exchange rates.

Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on the Company's Senior Secured Net Debt to Adjusted EBITDA ratio. For the purposes of the covenant calculations, trailing 12 months Adjusted EBITDA is calculated in a manner that is consistent with the measure disclosed in Note 12 of the interim financial statements. Senior Secured Net Debt primarily consists of amounts drawn under the Credit Facility less cash and cash equivalents but may also include the value of Seven Generations' undiscounted non-producing decommissioning obligation liabilities if the Company's LMR falls below 2.00. The LMR is determined by the Alberta Energy Regulator ("AER") and is calculated by dividing Seven Generations' deemed assets by its deemed liabilities, both values of which are assessed by the AER. The agreements in respect of the Credit Facility are available on the SEDAR website at www.sedar.com.

During the second quarter of 2020, the Canadian and US currency-based components of the Company's unsecured demand letter of credit facility was increased to C$65.0 million and US$30.0 million, respectively (previously C$45.0 million and US$25.0 million). As at September 30, 2020, C$55.9 million and US$19.4 million in letters of credit were issued and outstanding under the facility (December 31, 2019 - C$41.7 million and US$20.6 million). Letters of credit issued under the letter of credit facility do not impact Seven Generations' borrowing capacity under the Credit Facility.

The following tables reconcile net income to adjusted EBIT and adjusted EBITDA for the periods indicated:

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Net income (loss)	**$ (66.8)**	$ 85.1	nm	**$(1,192.9)**	$ 391.2	nm
Finance expense	**32.0**	36.4	(12)	**105.2**	108.4	(3)
Current and deferred income tax expense (recovery)	**(33.4)**	41.9	nm	**(337.2)**	21.2	nm
Impairment loss	**—**	—	—	**1,442.6**	—	nm
Stock-based compensation	**3.6**	4.2	(14)	**12.6**	13.4	(6)
Unrealized (gain) loss on risk management contracts	**115.2**	(44.1)	nm	**(11.3)**	9.3	nm
Foreign exchange (gain) loss on debt instruments and other	**(46.1)**	24.4	nm	**54.3**	(63.2)	nm
Adjusted EBIT[(1)]	**4.5**	147.9	(97)	**73.3**	480.3	(85)
Depletion and depreciation	**192.0**	224.4	(14)	**595.8**	655.0	(9)
Adjusted EBITDA[(1)]	**$ 196.5**	$ 372.3	(47)	**$ 669.1**	$ 1,135.3	(41)
Adjusted EBITDA per boe[(1)]	**$ 12.65**	$ 19.78	(36)	**$ 13.43**	$ 20.66	(35)

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

Indebtedness and total capitalization

($ millions)	**September 30, 2020**	**December 31, 2019**
US$379 million 6.75% senior notes, due May 1, 2023	**$ 505.6**	$ 552.0
US$296 million 6.875% senior notes, due June 30, 2023	**394.8**	584.5
US$700 million 5.375% senior notes, due September 30, 2025	**933.7**	909.2
Senior notes principal	**1,834.1**	2,045.7
Credit Facility draws	**266.8**	—
Adjusted working capital[(1)]	**20.1**	49.0
Long-term portion of lease liabilities	**57.8**	4.6
Net debt[(1)]	**2,178.8**	2,099.3
Shareholders equity[(1)]	**4,005.3**	5,199.1
Total capitalization[(1)]	**$ 6,184.1**	$ 7,298.4

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures.

The following table summarizes the changes in the amortized cost value of Seven Generations' senior notes during the first nine months of 2020:

($ millions)	**September 30, 2020**	**December 31, 2019**
Balance, beginning of year	**$ 2,030.2**	$ 2,129.8
Purchase of US$154 million 6.875% senior notes	**(211.8)**	—
Purchase of US$46 million 6.75% senior notes	**(63.1)**	—
Foreign exchange (gains) losses on senior notes	**63.0**	(103.0)
Amortization of debt issuance costs and premiums	**1.8**	3.4
Balance, end of period	**$ 1,820.1**	$ 2,030.2

The Company currently holds prepayment options on its 6.75% notes and 6.875% notes which carry a weighted average cost of 101.7% of the debt principal as at September 30, 2020. The cost of the prepayment options decline to par in 2021 on their specified anniversary dates of May 1st and June 30th, respectively. Seven Generations also holds an option to redeem the 5.375% notes on or after September 30, 2021 at a redemption price of 102.7% of the debt principal. The cost of exercising the prepayment option declines at each anniversary date until reaching par by September 30, 2023.

Subject to certain exceptions and qualifications, the senior unsecured notes have no financial covenants but limit the Company's ability to, among other things: make certain payments and distributions; incur additional indebtedness; issue disqualified or preferred stock; create or permit liens to exist; make certain dispositions; transfer assets; and engage in amalgamations, mergers or consolidations. Refer to the annual financial statements and the AIF, which are available on SEDAR, for further details. The indentures under which the senior notes were issued are also available on SEDAR.

Finance expense

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	**2020**	**2019**	**% Change**	**2020**	**2019**	**% Change**
Interest on senior notes	**$ 26.9**	$ 32.2	(16)	**$ 88.3**	$ 96.7	(9)
Credit Facility interest and bank fees	**2.2**	2.2	—	**6.2**	6.3	(2)
Premium on purchase of senior notes	**—**	—	—	**3.3**	—	nm
Accretion of decommissioning and lease liabilities	**1.8**	1.1	64	**5.0**	3.5	43
Amortization of premiums and debt issuance costs	**1.1**	0.9	22	**2.4**	1.9	26
Finance expense	**$ 32.0**	$ 36.4	(12)	**$ 105.2**	$ 108.4	(3)
Finance expense per boe	**$ 2.06**	$ 1.93	7	**$ 2.11**	$ 1.97	7

The Company's finance expense primarily relates to interest on its senior notes and Credit Facility draws. Seven Generations incurs standby fees on the undrawn portions of the Credit Facility. Accretion relates to the amortization of discount factors applied to the Company's decommissioning and lease liabilities. Seven Generations also amortizes capitalized debt issuance costs and premiums over the term of their corresponding debt instrument.

Finance expenses decreased by 12% during the three months ended September 30, 2020, compared to the same period in 2019, primarily due to lower interest expense as result of retiring US$200.0 million in senior notes in March 2020 by utilizing the proceeds of a Credit Facility draw, thereby reducing the Company's effective interest rate.

For the nine months ended September 30, 2020, finance expenses decreased by 3%, compared to the nine months ended September 30, 2019, primarily due to the lower effective interest rates on the residual long-term borrowings during 2020, partially offset by a premium that was paid in respect of the March 2020 senior note purchases and higher accretion related to the water disposal lease commitment which commenced during the second quarter of 2020.

Foreign exchange gain (loss)

	Three months ended September 30,		Nine months ended September 30,	
($ millions)	**2020**	**2019**	**2020**	**2019**
Foreign exchange gain (loss) on senior notes and Credit Facility draws	**$ 45.2**	$ (24.7)	**$ (54.9)**	$ 62.9
Unrealized foreign exchange loss on US working capital	**0.9**	0.3	**0.6**	0.3
Realized foreign exchange gain (loss) on US transactions	**(2.5)**	1.3	**(7.9)**	(3.0)
Net foreign exchange gain (loss)	**$ 43.6**	$ (23.1)	**$ (62.2)**	$ 60.2

Seven Generations' foreign exchange gains and losses primarily relate to the Company's US dollar denominated senior notes and Credit Facility draws which are translated into Canadian dollars at the end of each reporting period. As at September 30, 2020, a 10% increase in the value of the Canadian dollar relative to the US dollar would result in a gain of approximately $212.2 million (10% decline - loss of $212.2 million).

During the three months ended September 30, 2020, Seven Generations recognized an unrealized foreign exchange gain of $45.2 million due to a strengthening of the Canadian dollar, relative to the US dollar, from 1.363:1 to 1.334:1 (C$:US$). For the nine months ended September 30, 2020, the Company incurred an unrealized foreign exchange loss of $54.9 million due to an overall weakening of the Canadian dollar from 1.299:1 to 1.334:1.

For the three months ended September 30, 2019, Seven Generations incurred an unrealized foreign exchange loss of $24.7 million due to a weakening of the Canadian dollar from 1.309:1 to 1.324:1. For the nine months ended September 30, 2019, the Company incurred unrealized foreign exchange gain of $62.9 million due to a strengthening of the Canadian dollar from 1.364:1 to 1.324:1.

Foreign exchange gains and losses on US working capital and US transactions primarily relate to the conversion of US dollars to Canadian dollars for the settlement of transactions denominated in US dollars, primarily consisting of Credit Facility repayments, liquids and natural gas sales, interest payments and pipeline tolls.

Commitments and contingencies

The following table summarizes the Company's undiscounted future contractual cash outflows, as at September 30, 2020:

($ millions)	2020	2021	2022	2023	2024	Thereafter	Total
Firm transportation and processing commitments(1)(2)(3)	$ 128.2	$ 512.1	$ 476.1	$ 295.6	$ 297.7	$ 1,812.8	**$3,522.5**
Senior notes(2)	—	—	—	900.4	—	933.7	**1,834.1**
Interest on senior notes and Credit Facility draws(2)	28.8	115.2	115.2	78.9	53.8	37.7	**429.6**
Credit Facility	—	—	—	—	266.8	—	**266.8**
Accounts payable and accrued liabilities	296.6	21.1	—	—	—	—	**317.7**
Risk management contract liabilities	4.4	31.5	15.4	4.1	—	—	**55.4**
Long-term portion of lease liabilities (undiscounted)	—	4.9	19.7	19.0	18.1	6.1	**67.8**
Other purchase commitments	26.5	42.8	2.8	—	—	—	**72.1**
Total contractual cash outflows	$ 484.5	$ 727.6	$ 629.2	$1,298.0	$ 636.4	$ 2,790.3	**$6,566.0**

(1) The timing and extent of certain firm transportation commitments are subject to certain conditions, including regulatory approvals.

(2) The value of future cash outflows associated with US dollar denominated contracts have been converted to Canadian dollars at the September 30, 2020 exchange rate of US$1=C$1.3339.

(3) Excluded from the table above are firm transportation commitments averaging $37 million/year to 2030 that a counterparty alleges Seven Generations is obligated to fulfill. While the timing and resolution of this dispute cannot be predicted with certainty, any such expenses under the contract are considered unlikely and no provision has been recognized in the interim financial statements.

The senior notes, accounts payable and accrued liabilities, Credit Facility draws, risk management contract liabilities and the long-term portion of lease liabilities are recognized on Seven Generations' consolidated balance sheet. The firm transportation and processing commitments, interest on the senior notes and Credit Facility as well as certain other contractual commitments are off-balance sheet arrangements in accordance with IAS 1 - Presentation of Financial Statements and IFRS 16 - Leases.

The Company is currently undergoing income tax audits and is also involved in legal claims arising in the normal course of business. While the final outcome of such events cannot be predicted with certainty and could be material, Seven Generations does not currently anticipate that these events will have a material impact on the Company's consolidated financial position or results of operations.

Refer to the "Transportation, processing and other" discussion in the Operating Results section for additional information with respect to the Company's transportation and processing commitments.

Off-balance sheet sales commitments

The Company enters into physical delivery contracts on the Alliance Pipeline to Chicago, Illinois, the NGPL pipeline to the US Gulf Coast, the TC Energy pipeline to Dawn, Ontario, the NGTL pipeline in Alberta and the GTN pipeline to the Pacific Northwest, on a month-to-month and term contract basis. Pricing of the physical delivery contracts is primarily based on published North American natural gas indices and fixed prices.

The following table summarizes the average daily volumes the Company has committed to deliver on a term contract basis as at September 30, 2020:

Average daily sales volume commitments	2020	2021	2022
Chicago Citygate Index (MMBtu/d) - Alliance	**308,667**	**51,250**	**—**
Chicago Citygate Basis (MMBtu/d) - Alliance	**3,333**	**1,250**	**—**
Chicago Citygate Fixed (MMBtu/d) - Alliance	**3,333**	**—**	**—**
US Gulf Coast Index (MMBtu/d) - NGPL	**70,000**	**34,583**	**—**
US Gulf Coast Basis (MMBtu/d) - NGPL	**85,000**	**62,500**	**—**
Dawn Hub Index (MMBtu/d) - TC Energy	**69,444**	**29,385**	**5,275**
Dawn Hub Fixed (MMBtu/d) - TC Energy	**8,333**	**—**	**—**
Malin Hub Index (MMBtu/d) - GTN	**33,700**	**7,500**	**—**
Malin Hub Basis (MMBtu/d) - GTN	**20,000**	**12,500**	**2,500**
Malin Hub Fixed (MMBtu/d) - GTN	**10,000**	**—**	**—**

Share Capital

In the fourth quarter of 2018, Seven Generations initiated an NCIB in response to a decline in the Company's share price and given management's assessment of the Company's intrinsic value relative to its current trading value. Under the approved 2018/19 NCIB program, Seven Generations' was allowed to purchase up to 30.4 million common shares until November 4, 2019. In the fourth quarter of 2019, the Company completed its initial NCIB program and received approvals to purchase up to an additional 23.8 million shares under a new NCIB program from November 11, 2019 to November 10, 2020. In response to the decline in commodity prices during the first quarter of 2020, Seven Generations has suspended purchases under the NCIB program.

The following table summarizes the Company's share repurchase activities for the following periods presented:

	Three months ended September 30,		Nine months ended September 30,		Inception to September 30, 2020
($ millions, except as noted)	2020	2019	2020	2019	
Shares repurchased	**—**	9.9	**2.1**	15.7	**33.9**
Weighted average cost ($/share)	**$ —**	$ 7.45	**$ 7.43**	$ 7.50	**$ 8.03**
Cost of shares purchased	**$ —**	$ 73.8	**$ 15.6**	$ 117.9	**$ 272.3**
% of weighted average shares outstanding(1)	**—**	2.7%	**0.6%**	4.3%	**9.4%**

(1) Calculated based on the Company's common shares outstanding as at October 30, 2018 of 362.2 million.

All of the Company's stock purchased under the NCIB was acquired at prevailing market prices and subsequently cancelled.

Seven Generations is authorized to issue, among other classes of shares, an unlimited number of class A voting common shares without nominal or par value. The following table summarizes the number of common shares and convertible securities outstanding as at October 30, 2020:

As at (millions)	October 30, 2020
Common shares issued and outstanding	**333.3**
Convertible securities:	
Stock options	**7.6**
Performance share units ("PSUs")	**2.7**
Restricted share units ("RSUs")	**2.0**
Deferred share units ("DSUs")(1)	**0.4**
Performance warrants	**0.2**

(1) Not included in the table above are 0.5 million of DSUs that are cash-settled share-based compensation units.

During the nine months ended September 30, 2020, the Company issued 4.4 million compensation units comprised of PSUs, RSUs and cash-settled DSUs. Seven Generations also had 0.7 million equity compensation units exercised primarily relating to PSUs and RSUs issued in prior years and 3.0 million equity compensation units forfeited during the nine months of 2020.

The primary non-performance based vesting condition for all of the Company's stock-based compensation plans, other than DSUs, is continuous employment. DSUs are fully vested at the date of grant. The vesting of PSUs is also conditional on the satisfaction of certain market-based and/or non-market-based performance criteria as determined by Seven Generations' Board of Directors. If the Company satisfies the performance criteria, PSUs become eligible to vest and a pre-determined multiplier is applied to eligible PSUs.

As at September 30, 2020, the maximum number of common shares issuable pursuant to all of Seven Generations' outstanding convertible securities combined was 15.5 million, assuming the highest performance multiplier available to all PSU tranches. For additional information regarding the Company's security-based compensation, refer to the annual financial statements and the most recent Management Information Circular, which are both available on SEDAR.

OTHER CORPORATE EXPENSES

General and administrative (G&A)

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	2020	2019	% Change	2020	2019	% Change
Personnel	**$ 8.0**	$ 11.8	(32)	**$ 31.1**	$ 34.2	(9)
Office costs, travel and other	**1.8**	2.9	(38)	**7.1**	8.7	(18)
Professional fees	**1.2**	0.7	71	**4.1**	3.3	24
Information technology costs	**0.8**	1.4	(43)	**5.9**	5.5	7
Gross G&A expenses	**11.8**	16.8	(30)	**48.2**	51.7	(7)
Capitalized G&A	**(1.4)**	(1.0)	40	**(5.2)**	(3.5)	49
G&A expenses	**$ 10.4**	$ 15.8	(34)	**$ 43.0**	$ 48.2	(11)
G&A per boe	**$ 0.67**	$ 0.84	(20)	**$ 0.86**	$ 0.88	(2)

G&A expenses primarily consist of the Company's overhead costs incurred to support the ongoing operations of the Kakwa River Project. Capitalized G&A relate to costs incurred for personnel involved directly with capital development activities.

G&A expenses decreased by 34% during the three months ended September 30, 2020, compared to same period in 2019, primarily due to lower employee related costs associated with staff reductions, compensation reductions and the recognition of anticipated claims under the Federal Government's Canada Emergency Wage Subsidy.

G&A expenses decreased by 11% during the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, primarily due to the lower personnel related costs and a reduction in office and travel costs due to Company-wide G&A reduction initiatives and the majority of the Company's staff working from home during the second and third quarters of 2020.

Stock-based compensation

	Three months ended September 30,			Nine months ended September 30,		
($ millions, except per boe data)	2020	2019	% Change	2020	2019	% Change
Gross stock-based compensation	**$ 5.0**	$ 5.7	(12)	**$ 16.3**	$ 18.1	(10)
Capitalized stock-based compensation	**(1.4)**	(1.5)	(7)	**(3.7)**	(4.7)	(21)
Stock-based compensation expense	**$ 3.6**	$ 4.2	(14)	**$ 12.6**	$ 13.4	(6)
Stock-based compensation per boe	**$ 0.23**	$ 0.22	5	**$ 0.25**	$ 0.24	4

Seven Generations' current stock-based compensation is comprised of PSUs, RSUs granted primarily to employees, and DSUs for non-executive directors. The Company also has outstanding stock options and warrants issued in prior years under previous compensation plans. Capitalized stock-based compensation relates to personnel involved directly with capital development activities.

The fair value of stock-based compensation awards is primarily based on the Company's current share price at the date of the grant and is adjusted for the probability of achieving certain market and non-market-based vesting conditions. A summary of these assumptions can be found in Notes 3 and 21 of the annual financial statements.

Stock-based compensation expense was $3.6 million during the three months ended September 30, 2020, compared to $4.2 million during same period in the prior year. For the nine months ended September 30, 2020, stock-based compensation expense declined to $12.6 million from $13.4 million during the same period in the prior year. The declines in equity compensation were primarily due to forfeitures from staff reductions and graded vesting declines on legacy issuances, partially offset by PSUs and RSUs granted in the first quarter of 2020.

Income tax expense (recovery)

	Three months ended September 30,		Nine months ended September 30,	
($ millions)	**2020**	**2019**	**2020**	**2019**
Current income tax expense	**$ 0.2**	$ —	**$ 0.1**	$ 0.1
Deferred income tax expense (recovery)	**(33.6)**	41.9	**(337.3)**	21.1
Income tax expense (recovery)	**$ (33.4)**	$ 41.9	**$ (337.2)**	$ 21.2

Seven Generations' income taxes primarily relate to deferred income taxes recognized in respect of the Company's earnings, which are anticipated in future years under the *Income Tax Act* (Canada).

During the three months ended September 30, 2020, Seven Generations recognized an income tax recovery of $33.4 million primarily due to operating losses sustained by the Company from low commodity prices and an unrealized derivative loss during the third quarter. For the nine months ended September 30, 2020, Seven Generations recognized an income tax recovery of $337.2 million primarily due to an impairment loss recognized during the first quarter of 2020.

During the three months ended September 30, 2019, Seven Generations incurred deferred income tax expense of $41.9 million primarily due to net income recognized during the quarter. During the nine months ended September 30, 2019, the Company incurred deferred income tax expense of $21.2 primarily due to net income recognized during the period, partially offset by a $75.0 million gain resulting from a reduction in the provincial income tax rate.

The following table reconciles the Company's income tax expense (recovery) recognized during the three and nine months ended September 30, 2020 at a deferred income tax rate of approximately 23%, compared to that computed using the current effective Canadian combined federal and provincial corporate tax rate of 25% (2019 - 26.5%):

	Three months ended September 30,		Nine months ended September 30,	
($ millions)	**2020**	**2019**	**2020**	**2019**
Net income (loss) before income taxes	**$ (100.2)**	$ 127.0	**$ (1,530.1)**	$ 412.4
Statutory income tax rate	**25.0%**	26.5%	**25.0%**	26.5%
Expected income tax expense (recovery)	**$ (25.1)**	$ 33.7	**$ (382.5)**	$ 109.3
Adjustments related to the following:				
Non-deductible taxable portion of foreign exchange (gain) loss	**(5.7)**	3.3	**7.3**	(8.3)
Change in unrecognized deferred tax asset	**(5.7)**	3.3	**7.3**	(8.3)
Change in current and deferred income tax rates and other	**3.1**	1.3	**29.4**	(74.1)
Stock-based compensation	**—**	0.3	**1.3**	2.6
Deferred income tax expense (recovery)	**$ (33.4)**	$ 41.9	**$ (337.2)**	$ 21.2

During the third quarter of 2020, the Alberta Government announced an acceleration to its previously legislated step reductions to the tax rate with an intention to enact a tax rate of 8% effective July 1, 2020. The new tax rate is expected to result in a combined effective federal and provincial income tax rate of 24% for the year ended December 31, 2020.

When the rate changes were first enacted in 2019, Seven Generations had anticipated that the majority of the Company's existing deferred income tax liabilities would reverse beyond 2021 at an effective tax rate of approximately 23%. Accordingly, the revised timing of the provincial tax rate reductions in 2020 are anticipated to have a minimal impact on Seven Generations' deferred income tax liability for the year ended December 31, 2020.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected consolidated financial information for the Company for the preceding eight quarters:

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
FINANCIAL ($ millions, except per share amounts, production and unit prices)								
Funds flow[1]	**166.3**	138.8	275.0	353.2	340.5	355.3	338.8	336.2
Funds flow per boe[1]	**10.70**	8.33	15.62	18.45	18.09	19.35	19.07	16.99
Per share – diluted	**0.50**	0.42	0.82	1.05	0.98	1.00	0.95	0.93
Free cash flow[1]	**1.0**	69.4	9.2	120.3	55.9	44.2	(62.1)	73.9
Per share - diluted	**—**	0.21	0.03	0.36	0.16	0.12	(0.17)	0.20
Net income (loss)	**(66.8)**	(116.9)	(1,009.2)	82.6	85.1	295.3	10.8	245.4
Per share – diluted	**(0.20)**	(0.35)	(3.03)	0.24	0.25	0.83	0.03	0.68
Adjusted net income[1]	**(24.2)**	(43.1)	34.0	89.7	78.5	96.8	84.0	66.3
Per share – diluted	**(0.07)**	(0.13)	0.10	0.27	0.23	0.27	0.24	0.18
Revenues	**469.6**	306.0	989.4	669.6	718.0	795.5	546.3	1,146.8
CROIC (%)[1]	**9.0**	10.7	12.9	14.0	14.1	16.2	17.7	19.1
ROCE (%)[1]	**3.5**	5.6	8.3	9.0	8.6	11.1	12.8	14.1
OPERATING								
Sales volumes[2]								
Condensate (mbbl/d)	**57.6**	64.3	69.0	75.0	75.5	75.9	72.7	81.8
Natural gas (MMcf/d)	**434.6**	467.9	489.1	523.1	515.3	489.6	483.6	515.4
Other NGLs (mbbl/d)	**38.8**	40.9	43.0	45.9	43.2	44.3	44.1	47.4
Total (mboe/d)	**168.9**	183.2	193.5	208.1	204.6	201.8	197.4	215.1
Liquids %	**57**	57	58	58	58	60	59	60
Realized prices								
Condensate ($/bbl)	**47.40**	$ 26.59	$ 56.84	$ 66.39	$ 65.59	$ 71.91	$ 63.00	$ 53.57
Natural gas ($/Mcf)	**2.61**	2.49	2.65	3.25	2.85	3.29	4.32	4.77
Other NGLs ($/bbl)	**14.60**	12.01	8.84	10.75	2.74	4.19	7.46	8.44
Total ($/boe)	**26.24**	18.38	28.93	34.48	31.97	35.95	35.44	33.66
Royalties	**(1.76)**	(0.97)	(2.29)	(2.62)	(1.99)	(2.19)	(2.30)	(0.99)
Operating expenses	**(5.30)**	(4.16)	(4.54)	(4.43)	(4.81)	(5.00)	(4.93)	(5.25)
Transportation, processing and other	**(7.86)**	(7.53)	(7.03)	(7.01)	(6.46)	(6.64)	(6.65)	(7.07)
Operating netback before the following	**11.32**	5.72	15.07	20.42	18.71	22.12	21.56	20.35
Realized hedging gain (loss)	**2.76**	6.44	3.54	0.55	1.63	0.04	(0.34)	(1.58)
Marketing income (loss)[1][3]	**(0.64)**	(0.80)	(0.45)	0.18	0.19	0.07	0.77	0.20
Operating netback[1] ($/boe)	**$ 13.44**	$ 11.36	$ 18.16	$ 21.15	$ 20.53	$ 22.23	$ 21.99	$ 18.97
BALANCE SHEET								
Capital investments:								
Drilling and completions	**126.2**	15.9	162.6	132.5	171.0	172.9	231.4	148.9
Facilities and infrastructure	**20.3**	38.9	82.2	59.0	76.9	119.5	132.2	67.7
Land and other	**18.8**	14.6	21.0	41.4	36.7	18.7	37.3	45.7
Total capital investments	**165.3**	69.4	265.8	232.9	284.6	311.1	400.9	262.3
Total assets	**7,017.3**	7,105.9	7,422.7	8,437.4	8,454.8	8,318.8	8,228.5	8,119.5
Available funding[1]	**1,113.1**	1,110.7	1,030.4	1,351.0	1,277.2	1,288.3	1,280.9	1,345.9
Senior notes	**1,820.1**	1,858.6	1,934.1	2,030.2	2,069.3	2,044.1	2,086.5	2,129.8
Net debt[1]	**2,178.8**	2,224.9	2,385.6	2,099.3	2,213.7	2,178.6	2,229.9	2,206.8
Credit Facility draws outstanding	**266.8**	298.2	283.7	—	55.6	—	—	—
Repurchase of common shares ($)	**—**	—	15.6	50.2	73.8	44.1	—	104.2
Weighted average shares outstanding - basic	**333.3**	333.1	333.4	336.5	345.9	351.9	353.0	359.2
Weighted average shares outstanding - diluted	**334.0**	333.8	334.4	337.9	347.0	353.9	355.6	362.3

(1) Refer to Advisories and Guidance for additional information regarding the Company's GAAP and non-GAAP measures. Certain comparative figures have been adjusted to conform to current period presentation.
(2) See "Note Regarding Product Types" in the Advisories and Guidance section of this MD&A.
(3) Marketing income is comprised of all purchases, sale of revenues and transportation tariffs in respect of liquids and natural gas marketing activities. These components have been reclassified out of liquids and natural gas sales, product purchases and transportation, processing and other for all periods presented within this MD&A.

In 2018 and 2019, the Company had elected to primarily sustain current production levels in order to prioritize free cash flow generation instead of production growth. New wells brought on stream in 2019 have mostly offset natural well declines on existing wells. Production declined during the first nine months of 2020 primarily due to a reduction in the Company's 2020 development activities in response to the COVID-19 pandemic, decreasing commodity prices and the decision to delay the start-up of completed wells until commodity prices improved.

The Company has recognized significant interquartile fluctuations in revenue over the past two years primarily due to commodity price changes as well as realized and unrealized gains and losses on the Company's risk management contracts. Volatility in North American crude oil and natural gas prices has continued to drive substantial changes in the value of the Company's commodity derivative instruments and changes in realized commodity prices. Seven Generations continues to execute its routine risk management program which is primarily designed to reduce cash flow volatility, secure funding for a portion of the Company's capital investment program and help ensure there are sufficient cash flows to service debt obligations.

The Company has continued to see positive funds flow despite volatile commodity prices. The Company's funds flow has also experienced volatility primarily due to the commodity price environment.

Changes to net income (loss) in comparative quarterly periods from 2018 to the third quarter of 2020 are primarily due to variations in adjusted net income from commodity price volatility, unrealized hedging gains and losses and the impact of changes in foreign exchange rates on the Company's US dollar denominated senior notes and Credit Facility draws. Net losses incurred during 2020 were primarily due to an impairment loss from declines in commodity prices, partially offset by derivative gains on risk management contracts.

The reduction in total capital investments in 2020 is a result of Management's decision to slow the pace of development in the near term in response to sharp declines in commodity prices during the first quarter of 2020. Seven Generations' balance sheet has remained strong, with total assets increasing proportionately higher relative to the Company's net debt.

For additional information regarding the Company's third quarter 2020 financial results, refer to the other sections within this MD&A. Additional information regarding the 2018, 2019 and 2020 financial results can be found in the Company's previous MD&As.

ADVISORIES AND GUIDANCE

Critical accounting policies and estimates

The preparation of financial statements in accordance with IFRS requires Seven Generations to make significant judgments, estimates and assumptions that impact the Company's balance sheet and operating results. A summary of Seven Generations' significant accounting policies, estimates and assumptions can be found in Notes 3 - 5 of the annual financial statements. There were no changes to the Company's critical accounting policies and estimates during the nine months ended September 30, 2020.

Non-GAAP measures

This MD&A includes certain meaningful performance measures commonly used in the oil and natural gas industry that are not defined under IFRS, consisting of "adjusted net income”, "adjusted net income per boe", "adjusted net income per diluted share", "operating netback”, "funds flow per boe", "funds flow per diluted share", "free cash flow", "marketing income", "marketing income per boe", "adjusted EBIT", "CROIC", "ROCE", "adjusted working capital" and "available funding”. These performance measures presented in this MD&A should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS and should be read in conjunction with the interim financial statements. Readers are cautioned that these non-GAAP measures do not have any standardized meanings and should not be used to make comparisons between Seven Generations and other companies without also taking into account any differences in the method by which the calculations are prepared. Refer to the Operational and Financial Results, Operating Results and Liquidity and Capital Resources sections in this MD&A for additional details.

Operating netback, funds flow per boe and funds flow per diluted share

Operating netback is calculated on a per boe basis and is determined by deducting royalties, operating, transportation, processing and other expenses from oil and natural gas sales and marketing income, after adjusting for realized hedging gains or losses. Funds flow per boe reflects funds flow on a per boe basis, which is calculated by dividing funds flow by the Company's total production. Funds flow per boe can also be determined by deducting G&A, financing and other cash operating related overhead expenses on a per boe basis from the operating netback. Operating netback and funds flow per boe are utilized by Seven Generations and others to assess the profitability of the Company's liquids and natural gas assets and to compare current results to prior periods or to peers by isolating for the impact of changes in production volumes. Funds flow per diluted share reflects funds flow on a per share basis and is calculated by dividing funds flow by the Company's weighted average shares outstanding and the dilutive effect of outstanding equity compensation units during the period.

Marketing income

Marketing income is calculated as liquids and natural gas sales in respect of products that were purchased for sale plus third party marketing income, net of product purchase costs and associated transportation, processing and other expenses. This performance measure allows Seven Generations and others to evaluate the Company's incremental profits earned in respect of in-house marketing activities by excluding the operating results attributable to production from the Kakwa River Project. Isolating marketing income also allows Seven Generations to present the results of upstream operating netback components separately from marketing activities. Marketing income per boe reflects marketing income on a per boe basis, which is calculated by dividing marketing income by the Company's total production. Users of the MD&A can reconcile the operating results of the Kakwa River Project to the income statement in the interim financial statements by adding the individual components of marketing income to their respective accounts.

Adjusted EBIT

Adjusted EBIT is calculated as net income (loss) before interest and income taxes, adjusted for certain non-cash and extraordinary items primarily consisting of unrealized gains and losses from financial instruments and impairment losses. Adjusted EBIT is utilized by the Company to calculate the ROCE performance measure. Adjusted EBIT is similar to the Adjusted EBITDA performance measure other than for the inclusion of depletion and depreciation expenses. Refer to the GAAP measures section below for additional details regarding Adjusted EBITDA.

Adjusted net income

Adjusted net income is defined as net income, excluding unrealized gains and losses on financial instruments, impairment losses, realized foreign exchange gains and losses on debt repayments, deferred income tax impacts from changes in tax rates, redemption premiums on senior notes, gains and losses on disposition of assets, transaction costs, net losses on investments in associates and the respective income tax impact of those adjustments. Adjusted net income per boe reflects adjusted net income on a per boe basis, which is calculated by dividing adjusted net income by Seven Generations total production. Adjusted net income per diluted share reflects adjusted net income on a per share basis, which is calculated by dividing adjusted net income by the Company's weighted average shares outstanding and the dilutive effect of outstanding equity compensation units during the period. Adjusted net income is used by Seven Generations and others as a performance measure that provides comparability of financial results between periods by excluding highly variable and non-operating related items such as unrealized gains or losses on financial instruments and impairment losses.

Free cash flow

Free cash flow is calculated as funds flow less capital investments that occurred within the same reporting period. During the three months ended September 30, 2020, free cash flow was $1.0 million, calculated as funds flow of $166.3 million less capital investments of $165.3 million ($55.9 million for the three months ended September 30, 2019). During the nine months ended September 30, 2020, free cash flow was $79.6 million, calculated as funds flow of $580.1 million less capital investments of $500.5 million ($38.0 million for the nine months ended September 30, 2019). This performance measure is utilized by Seven Generations and others to determine the amount of cash that was available to repurchase shares, repay debt, reinvest in the business or return to shareholders using internally generated cash from business operations.

CROIC & ROCE

CROIC is determined by dividing adjusted EBITDA by the average carrying value of the Company's oil and natural gas assets, excluding accumulated depletion, depreciation and impairment. ROCE is determined by dividing adjusted EBIT by the Company's total capitalization which consists of net debt and shareholders equity. The CROIC and ROCE measures allow Seven Generations and others to evaluate the Company’s capital investing efficiency and ability to generate profitable returns by measuring earnings relative to the capital employed in the business used to generate those returns.

Adjusted working capital and available funding

Available funding is comprised of adjusted working capital and the undrawn component of Seven Generations' Credit Facility. Adjusted working capital is comprised of current assets less current liabilities on the Company's balance sheet and excludes the current portions of risk management contracts, Credit Facility draws and senior unsecured notes. Adjusted working capital is included within the non-GAAP measures because a surplus of adjusted working capital will result in a future net cash inflow to the business which can be used for future funding and a deficiency of adjusted working capital will result in a future net cash outflow which will require a future draw from Seven Generations existing funding capacity in order to settle the short-term liabilities in excess of current assets. The available funding measure allows management and other users to evaluate the Company’s liquidity.

GAAP measures

Certain performance measures in this MD&A that are utilized by the Company and others to assess performance have also been included in Seven Generations' interim financial statements as they are relevant to the users' understanding of the Company's business, performance results and financial condition. Specifically, Seven Generations' "net debt", "total capitalization" and "adjusted EBITDA" measures have been included in *Note 12 - Capital Management* of the interim financial statements. The Company has also presented the "funds flow" subtotal in the interim cash flow statement. Accordingly, these performance metrics are considered GAAP measures within this MD&A but would otherwise have been considered non-GAAP measures absent their inclusion in the interim financial statements.

Readers are still cautioned that these performance measures do not have any standardized meanings and should not be used to make comparisons between Seven Generations and other companies without also taking into account any differences in the method by which the calculations are prepared. Refer to the Operational and Financial Results, Operating Results and Liquidity and Capital Resources sections in this MD&A for additional details.

Funds flow

Funds flow is comprised of cash provided by operating activities, excluding the impact of changes in non-cash working capital. Seven Generations utilizes funds flow as a measure of operational performance and cash flow generating capability. Funds flow also impacts the level and extent of funding for investment in capital projects, returning capital to shareholders and repaying debt. By excluding changes in non-cash working capital from cash provided by operating activities, the funds flow measure provides a meaningful metric for Management and others by establishing a clear link between the Company's cash flows, income statement and operating netbacks from the business by isolating the impact of changes in the timing between accrual and cash settlement dates. Funds flow is presented in Seven Generations' cash flow statement in the interim financial statements.

Adjusted EBITDA

Adjusted EBITDA is calculated as net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortization, adjusted for certain non-cash, extraordinary and non-recurring items primarily relating to unrealized gains and losses on financial instruments and impairment losses. Seven Generations utilizes adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments or returning capital to shareholders. This measure is consistent with the adjusted EBITDA formula prescribed under the Company's Credit Facility and allows Seven Generations and others to evaluate the impact of Seven Generation's earnings on its financial covenants and assess its ability to fund financing expenses, net debt reductions and other obligations. The Company also utilizes Adjusted EBITDA to calculate the CROIC performance measure.

Net debt

Net debt is calculated as the current and long-term portions of the Seven Generations' senior notes, credit facility draws and lease liabilities plus adjusted working capital. The senior notes and Credit Facility draws are calculated as the principal amount outstanding converted to Canadian dollars at the closing exchange rate for the period and excludes any unamortized premiums and debt issue costs. Net debt is an important measure used by Management and others to assess the Company's liquidity by aggregating long-term debt, lease liabilities and working capital.

Total capitalization

Total capitalization consists of net debt and the carrying value of the Company's shareholders equity. Total capitalization is utilized by Seven Generations and others to analyze balance sheet strength, liquidity and composition. The Company also utilizes total capitalization to calculate the ROCE performance measure.

Controls and procedures

Part 1 of *National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings* defines disclosure controls and procedures ("DC&P") as "controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer’s management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure".

The Company's President & Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, DC&Ps that provide reasonable assurance that (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

The CEO and the CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision of the CEO and the CFO, Seven Generations conducted an evaluation of the operating effectiveness of the Company's DC&P and ICFR as at December 31, 2019. Based on this evaluation, the officers concluded that as of December 31, 2019, Seven Generations maintained effective DC&P and ICFR.

The CEO and CFO are required to cause the Company to disclose any change in the Company's internal controls over financial reporting that occurred during the most recent interim period, July 1, 2020 to September 30, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. Due to the recent COVID-19 social distancing measures prescribed by local and federal governments, a significant portion of the Company’s workforce has been working remotely since early March 2020. The increased utilization of on-line technology has allowed Seven Generations to continue operating the same ICFR and DCP programs during the first nine months of 2020 that were previously designed and effective during the year ended December 31, 2019. Accordingly, no changes in internal controls over financial reporting occurred during the first nine months of 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risk factors

The acquisition, exploration and development of oil and natural gas properties, and the production, transportation and marketing of oil and natural gas involves many risks, which may influence the ultimate success of the Company. While the management of Seven Generations realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks. These risks include, but are not limited to the following:

- volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto;
- general economic, business and industry conditions;
- global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the current novel coronavirus (COVID-19) outbreak;
- civil unrest, pandemics and other disruptions and dislocations, such as the current COVID-19 pandemic;
- variance of the Company’s actual capital costs, operating costs and economic returns from those anticipated;
- the potential for further impairment losses;
- the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms;
- risks related to the exploration, development and production of oil and natural gas reserves and resources;
- adoption or modification of climate change legislation by governments;
- potential impacts of climate change on the Company's operations;
- negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels;
- actions by governmental authorities, including changes in government regulation, royalties and taxation;
- potential legislative and regulatory changes;
- the rescission, or amendment to the conditions, of water licenses of the Company;
- management of the Company’s growth;
- the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses;
- the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel;
- uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources and the variance of such estimates from actual future production;
- dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the Company does not control;
- the ability to satisfy obligations under the Company’s firm commitment transportation and processing arrangements;
- the export and sale of natural gas to the United States;
- uncertainty related to the Company’s identified drilling locations;
- the high-risk nature of successfully stimulating well productivity and drilling for and producing oil, NGLs and natural gas;
- operating hazards and uninsured risks;
- the risk of fires, floods and natural disasters which could be more frequent or of a greater magnitude as a result of climate change;
- the possibility that the Company’s drilling activities may encounter sour gas;
- execution risks associated with the Company’s business plan;

- failure to acquire or develop replacement reserves;
- the concentration of the Company's assets in the Kakwa area;
- unforeseen title defects;
- Indigenous claims;
- failure to accurately estimate abandonment and reclamation costs;
- development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return;
- horizontal drilling and completion technique risks and failure of drilling results to meet expectations for reserves or production;
- limited intellectual property protection for operating practices and dependence on employees and contractors;
- third-party claims regarding the Company's right to use technology and equipment;
- expiry of certain leases for the undeveloped leasehold acreage in the near future;
- failure to realize the anticipated benefits of acquisitions or dispositions;
- failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities;
- changes in the interpretation and enforcement of applicable laws and regulations;
- political changes;
- reassessment by taxing and royalty authorities of the Company's prior transactions and filings;
- restrictions on development intended to protect certain species of wildlife;
- potential conflicts of interests;
- actual results differing materially from management estimates and assumptions;
- seasonality of the Company's activities and the Canadian oil and gas industry;
- alternatives to and changing demand for petroleum products;
- extensive competition in the Company's industry;
- changes in the Company's credit ratings;
- third party credit risk;
- dependence upon a limited number of customers;
- lower oil, NGLs and natural gas prices and higher costs;
- failure of 2D and 3D seismic data used by the Company to accurately identify the presence of oil and natural gas or appropriate well placement within a reservoir;
- risks relating to commodity price hedging instruments;
- terrorist attacks or armed conflict;
- cyber security risks, loss of information and computer systems;
- inability to dispose of non-strategic assets on attractive terms;
- the potential for security deposits to be required under provincial liability management programs;
- variations in foreign exchange rates and interest rates;
- risks associated with counterparties in risk management activities related to commodity prices and foreign exchange rates;
- sufficiency of insurance policies;
- potential for litigation;
- variation in future calculations of non-GAAP measures;
- breach of agreements and potential enforceability issues in contracts;
- impact of expansion into new activities on risk exposure;
- inability of the Company to respond quickly to competitive pressures; and
- the risks related to the common shares that are publicly traded and the senior notes and other indebtedness.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading "Risk Factors" in the AIF and Management's Discussion and Analysis for the three and six months ended, June 30, 2020 and 2019, respectively, which are available on SEDAR.

Forward-looking information advisory

This document contains certain forward looking information and statements that involve various risks, uncertainties and other factors. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "should", "believe", "plans", and similar expressions are intended to identify forward looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: the Company's key strategies, objectives and competitive strengths; ability to combine resource selection with innovation, technology and efficiency to remain among North America's lowest supply-cost unconventional liquids-rich natural gas developers; plans to maintain a strong balance sheet and pursue investments that will contribute to free cash flow and earn full-cycle returns across the entire commodity price cycle, with focused capital deployment on high return opportunities; the ability to capture premium prices from diverse markets by securing gathering, processing and transportation capacity; near-term plans to prioritize net debt reduction with available free cash flow; the Company's guidance and outlooks, including those described under the heading "2020 Outlook & 2021 Budget", such as expected production and production mix, capital budgets/planned capital investment, the number of wells to be brought on stream, forecast expenses, the expectation that the 2020 capital investment program will be funded with anticipated funds flow and provide the Company with an opportunity to generate free cash flow while maintaining a base level of production of critical operations without increasing debt levels; the Company's targeted trailing 12-month ratio of net debt to adjusted EBITDA of less than 1.5 times; the Company's ability to quickly scale development activities in response to changes in market conditions; the objective of maintaining a strong balance sheet in order to provide financial liquidity to fund ongoing development programs or enhance the Company's net debt composition; the belief that the Company has sufficient funding to meeting its near-term liquidity requirements; expected income taxes; the objectives of the Corporation’s risk management program; hedge targets; plans to fund near-term development activities and possible debt repayment with funds flow, cash on hand and draws under the Credit Facility; the anticipated commencement date for operation of the KAPS pipeline; and the Company’s anticipated transportation and processing capacity. In addition to the foregoing, information and statements in this MD&A relating to reserves are deemed to be forward looking information, because of the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that they can be profitably produced and/or sold based upon certain forecast prices and costs, as evaluated by the Company’s qualified independent reserves evaluator.

With respect to forward-looking information contained in this document, assumptions have been made regarding, among other things: future oil, NGLs and natural gas prices being consistent with current commodity price forecasts after factoring in quality adjustments at the Company’s points of sale; the Company’s continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; drilling and completion techniques; infrastructure and facility design concepts that have been successfully applied by the Company elsewhere in its Kakwa River Project may be successfully applied to other properties within the Kakwa River Project; the consistency of the regulatory regime and framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future; the Company’s ability to market production of oil, NGLs and natural gas successfully to customers; the Company’s future production levels and amount of future capital investment will be consistent with the Company’s current development plans and budget; new technologies for recovery and production of the Company’s reserves and resources may improve capital and operational efficiencies in the future; the recoverability of the Company’s reserves and resources; sustained future capital investment by the Company; future cash flows from production; taxes and royalties will remain consistent with the Company's calculated rates; the future sources of funding for the Company’s capital investment program; the Company’s future debt levels; geological and engineering estimates in respect of the Company’s reserves and resources; the geography of the areas in which the Company is conducting exploration and development activities, and the access, economic, regulatory and physical limitations to which the Company may be subject from time to time; the impact of competition on the Company; and the Company’s ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in the forward-looking information that is contained herein as a result of the risks and risk factors that are set forth herein, in the AIF and in Management's Discussion and Analysis for the three and six months ended June 30, 2020 and 2019 which are available on SEDAR, including, but not limited to: volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; general economic, business and industry conditions; global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the current novel coronavirus; civil unrest, pandemics and other disruptions and dislocations; variance of the Company’s actual capital costs, operating costs and economic returns from those anticipated; the potential for further impairment losses; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; risks related to the exploration, development and production of oil and natural gas reserves and resources; the adoption or modification of climate change legislation by governments; potential impacts of climate change on the Company’s operations; negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; actions by governmental authorities, including changes in government regulation, royalties and taxation; political changes; potential legislative and regulatory changes; the rescission, or amendment to the conditions, of water licenses of the Company; management of the Company’s growth; the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources and the variance of such estimates from actual future production; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the Company does not control; the ability to satisfy obligations under the Company’s firm commitment transportation and processing arrangements; the export and sale of natural gas to the United States; uncertainty related to the Company’s identified drilling locations; the high-risk nature of successfully stimulating well productivity and drilling for and producing oil, NGLs and natural gas; operating hazards and uninsured risks; the risk of fires, floods and natural disasters, which could become more frequent or of a greater magnitude as a result of climate change; the possibility that the Company’s drilling activities may encounter sour gas; execution risks associated with the Company’s business plan; failure to acquire or develop replacement reserves; the concentration of the Company’s assets in the Kakwa area; unforeseen title defects; Indigenous claims; failure to accurately estimate abandonment and reclamation costs; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; horizontal drilling and completion technique risks and failure of drilling results to meet expectations for reserves or production; limited intellectual property protection for operating practices and dependence on employees and contractors; third-party claims regarding the Company’s right to use technology and equipment; expiry of certain leases for the undeveloped leasehold acreage in the near future; failure to realize the anticipated benefits of acquisitions or dispositions; failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities; government regulations; changes in the application, interpretation and enforcement of applicable laws and regulations; environmental, health and safety requirements; restrictions on development intended to protect certain species of wildlife; potential conflicts of interests; actual results differing materially from management estimates and assumptions; seasonality of the Company’s activities and the Canadian oil and gas industry; alternatives to and changing demand for petroleum products; extensive competition in the Company’s industry; changes in the Company’s credit ratings; third party credit risk; dependence upon a limited number of customers; lower oil, NGLs and natural gas prices and higher costs; failure of 2D and 3D seismic data used by the Company to accurately identify the presence of oil and natural gas; risks relating to commodity price hedging instruments; terrorist attacks or armed conflict; cyber security risks, loss of information and computer systems; inability to dispose of non-strategic assets on attractive terms; the potential for security deposits to be required under provincial liability management programs; reassessment by taxing and royalty authorities of the Company’s prior transactions and filings; variations in foreign exchange rates and interest rates; risks associated with counterparties in risk management activities related to commodity prices and foreign exchange rates; sufficiency of insurance policies; potential for litigation; variation in future calculations of non-IFRS measures; breach of and potential enforceability issues in contracts; impact of expansion into new activities on risk exposure; inability of the Company to respond quickly to competitive pressures; and the risks related to the common shares that are publicly traded and the Company’s senior notes and other indebtedness.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management’s assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company’s operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Note Regarding Product Types

This MD&A includes references to total average daily production, condensate production, other NGL production, natural gas production and liquids production. Other NGLs refers to all natural gas liquids, except for condensate, which is reported separately. Natural gas refers to conventional natural gas and shale gas combined. Liquids refers to condensate and other NGLs combined. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this MD&A:

	Condensate (mbbl/d)	Other NGLs (mbbl/d)	Shale gas (MMcf/d)	Conventional natural gas (MMcf/d)	Total (mboe/d)
Three months ended					
December 31, 2018	81.8	47.4	480.9	34.5	**215.1**
March 31, 2019	72.7	44.1	447.3	36.3	**197.4**
June 30, 2019	75.9	44.3	455.6	34.0	**201.8**
September 30, 2019	75.5	43.2	480.5	34.8	**204.6**
December 31, 2019	75.0	45.9	492.4	30.7	**208.1**
March 31, 2020	69.0	43.0	461.5	27.6	**193.5**
June 30, 2020	64.3	40.9	441.0	26.9	**183.2**
September 30, 2020	57.6	38.8	413.7	20.9	**168.9**
Nine months ended					
September 30, 2019	74.7	43.9	461.3	35.0	**201.3**
September 30, 2020	63.6	40.9	438.6	25.1	**181.8**
Year ended					
December 31, 2018	76.4	44.4	454.0	36.5	**202.6**
December 31, 2019	74.8	44.4	469.1	33.9	**203.0**

This MD&A also makes reference to Company's forecasted total average daily production of 180 - 185 mboe/d for 2020 and 2021. Seven Generations expects that approximately 32% - 36% of that production will be comprised of condensate, 39% - 41% will be comprised of shale gas, 22% - 24% will be comprised of other NGLs and 3% will be comprised of conventional natural gas.

Independent reserves evaluation

Estimates of the Company’s reserves as at December 31, 2019, are based upon the report that was prepared by McDaniel & Associates Consultants Ltd. ("McDaniel"), evaluating the Company’s oil, natural gas and NGL reserves, dated February 26, 2020. The estimates of reserves provided in this document are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided in this in this document, and the difference may be material. There is no assurance that the forecast price and cost assumptions applied by McDaniel in evaluating Seven Generations’ reserves will be attained and variances could be material. For important additional information regarding the independent reserves evaluation that was conducted by McDaniel, please refer to the AIF, which is available on SEDAR.

Certain oil and gas terms

Certain terms used in this MD&A that are not otherwise defined herein are provided below:

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable.

Reserves are classified according to the degree of certainty associated with the estimates.

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

gross means:

- in relation to reserves, the applicable working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests; and,
- in relation to wells, the total number of wells in which the Company has an interest.

net means:

- in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and
- in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

Abbreviations

Terms and abbreviations that are used in this MD&A that are not otherwise defined herein are provided below:

Measurements	
2P	gross proved plus probable
bbl or bbls	barrel or barrels
boe	barrels of oil equivalent(1)
d	day
GJ	gigajoules
km	kilometres
m	metres
m^3	cubic metres
mbbl	thousands of barrels
mboe	thousands of barrels of oil equivalent(1)
Mcf	thousand cubic feet
MMBtu	million British thermal units
MMcf	million cubic feet
Other NGLs	butane, propane and ethane extracted from the natural gas stream
$, C$ or CAD	Canadian dollars
$MM	millions of dollars
US$ or USD	United States dollars
nm	not meaningful information
Q1	first quarter ended March 31st
Q2	second quarter ended June 30th
Q3	third quarter ended September 30th
Q4	fourth quarter ended December 31st
YTD	year-to-date
YE	year-end

(1) Seven Generations has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boes. Condensate and other NGLs are converted to boes at a ratio of 1 bbl:1 bbl. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the Company's sales point. Given the value ratio based on the current price of oil as compared to natural gas and NGLs is significantly different from the energy equivalency of 6 Mcf: 1 bbl and 1 bbl: 1 bbl, respectively, utilizing a conversion ratio at 6 Mcf: 1 bbl for natural gas and 1 bbl: 1 bbl for NGLs, may be misleading as an indication of value.

Financial & Business Environment	
A/BC	Alberta/British Columbia border
AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which is the delivery point for various benchmark Alberta index prices
AER	Alberta Energy Regulator
AIF	Annual Information Form for the year ended December 31, 2019, dated February 26, 2020
Alliance	the Alliance Pipeline
BC	British Columbia
condensate	Pentanes Plus (C5+) separated at field level and C5+ separated from the other NGL mix at the facility level
CROIC	cash return on invested capital
CRW Pool	Enbridge's Condensate Blend Pool
DSU	Deferred Share Units
D&C	drilling and completion
E&E	exploration and evaluation
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes depreciation and amortization
Free cash flow	funds flow generated that is in excess of total capital investments made during the same period
FX	foreign exchange
GAAP	Generally accepted accounting principals
GTN	Gas Transmission Northwest LLC
G&A	general and administrative
HH	Henry Hub
IAS 1	International Accounting Standard - Presentation of Financial Statements
IFRS	International Financial Reporting Standards
IFRS 16	International Financial Reporting Standard 16 - Leases
KAPS	Key Access Pipeline System
Keyera	Keyera Corp. and its affiliates
LNG	liquefied natural gas
NCIB	normal course issuer bid
Nest	Nest 1, Nest 2 and Nest 3 areas combined
Nest 1	the "Nest 1" area that is shown in the map provided in the AIF
Nest 2	the "Nest 2" area that is shown in the map provided in the AIF
Nest 3	the "Nest 3" area that is shown in the map provided in the AIF
NGL	Natural Gas Liquids
NGPL	Natural Gas Pipeline Company of America LLC
NGTL	Nova Gas Transmission Ltd.
NYMEX	New York Mercantile Exchange
OPEC	Organization of Petroleum Exporting Countries
OPEC+	OPEC and its allies, including Russia
Other NGL	natural gas liquids (consisting of ethane (C2), propane (C3) and butane (C4))
Pembina	Pembina Pipeline Corporation and its affiliates
Plains	Plains Midstream Canada ULC and its affiliates
PP&E	Property, plant and equipment
PSU	Performance Share Units
ROCE	return on capital employed
RSU	Restricted Share Units
SEDAR	System for Electronic Document Analysis and Retrieval (www.sedar.com)
super pads	the Company's decentralized field conditioning plants that separate field condensate and natural gas
TC Energy	TransCanada Pipelines Limited
TSX	Toronto Stock Exchange
US	United States of America
WTI	West Texas Intermediate