SATURN OIL & GAS INC.
MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is a review of the operational and financial results and outlook for Saturn Oil & Gas Inc. ("Saturn" or the "Company") as at December 31, 2022 and 2021 and for the three and twelve months ended December 31, 2022 and 2021. This MD&A is dated and based on information available as at March 28, 2023 and should be read in conjunction with Company's audited consolidated financial statements ("financial statements") and the notes thereto as at December 31, 2022 and 2021. Additional information relating to Saturn, including Saturn's Annual Information Form for the year ended December 31, 2022, is available on SEDAR at www.sedar.com and Saturn's website at www.saturnoil.com.

Throughout this MD&A and in other materials disclosed by the Company, Saturn adheres to generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"), however the Company also uses various specified financial measures (as defined in National Instrument 51-112 - Non-GAAP and Other Financial Measures ("NI 51-112") including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" to analyze financial performance including, "adjusted funds flow", "capital expenditures", "capital expenditures net of A&D", "free funds flow", "gross petroleum and natural gas sales", "net operating expense", "operating netbacks", "operating netbacks, net of derivatives" and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Saturn's performance.

Readers are cautioned that the MD&A should be read in conjunction with disclosures in the sections entitled "Non-GAAP and Other Financial Measures" and "Advisories and forward-looking information".

DESCRIPTION OF THE BUSINESS

Saturn Oil & Gas Inc. is a Canadian resource company engaged in the business of acquiring, exploration and development of petroleum and natural gas resource deposits in Canada. The Company's current focus is to advance the exploration of its oil and gas properties in Alberta as well as Southeast and West Central Saskatchewan.

SUBSEQUENT EVENT

On February 28, 2023, the Company completed the acquisition of Ridgeback Resources Inc. (the "Ridgeback Acquisition") a privately held oil and gas producer focused on light oil in Saskatchewan and Alberta. The Ridgeback assets add approximately 17,000 boe/d of current production (71% light oil and liquids) and 670 net sections of land. The Ridgeback Acquisition bolsters Saturn's core growth asset in Southeast Saskatchewan, while expanding its operations into Alberta's Cardium play further building size and scale for the Company's growing operations in Western Canada. The Ridgeback Acquisition is consistent with Saturn's strategy to become a premier, publicly traded light oil producer through the acquisition and development of undervalued, low-risk opportunities that support building a strong portfolio of cash flowing assets offering strategic development upside. The Ridgeback Acquisition was funded through a $375 million expansion of the Senior Term Loan from the Company's existing senior secured lender, a bought deal financing for gross proceeds of $125.0 million, and 19.4 million common shares of Saturn for total consideration of $525 million.

Q4 2022 HIGHLIGHTS

- Realized fourth quarter average production of 12,514 boe/d in 2022 compared to 7,279 boe/d in the fourth quarter of 2021;
- Achieved record quarterly petroleum and natural gas sales of $111.6 million, up from $105.7 million in the third quarter of 2022 and $53.8 million in the fourth quarter of 2021;
- Achieved an operating netback(1) for the three months ended December 31, 2022 of $64.46 per boe compared to $35.66 per boe in the fourth quarter of 2021;
- Generated record quarterly adjusted funds flow(1) of $50.7 million in the three months ended December 31, 2022 compared to $9.7 million in the comparable 2021 period primarily due to the Viking Acquisition and the Plato Acquisition;
- Invested $35.1 million of development capital in the fourth quarter, drilling 16 (net 15.6) wells; including 9 Viking, 4 Frobisher, 2 Tilston, and 1 Alida.
- Generated fourth quarter free funds flow(1) of $15.1 million;
- Exited the year with $219.8 million net debt(1), realizing a net debt to annualized quarterly adjusted funds flow(1) of 1.1x; and
- Continued with our dedication to be a responsible environmental steward directing $2.7 million ($14.2 million year-to-date) to abandonment and reclamation activities through a combination of government grants through the Accelerated Site Closure Program ("ASCP") and cash on hand.

ACQUISITIONS

Viking acquisition

On July 6, 2022, the Company completed a synergistic acquisition (the "Viking Acquisition"), of certain oil and gas properties targeting the Viking formation in West Central Saskatchewan. These assets are located in Saturn's core Viking business unit, consist of approximately 4,000 bbls/d of high netback light oil production and reduce the Company's overall royalty rates and operating costs per boe. The Viking Acquisition was completed for total cash consideration of $240.9 million and has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recorded at the estimated fair value on the acquisition date.

The determination of the purchase price, based on management's estimate of fair values, is as follows:

($000s)	**July 6, 2022**
Property, plant and equipment	260,484
Asset retirement obligation	(7,378)
Deferred income tax liability	(3,054)
Net assets acquired	**250,052**
Cash consideration	240,875
Gain on acquisition	**9,177**

The determination of the estimated acquisition-date fair value of the oil and gas properties has been derived from proved and probable oil and gas reserves as estimated by the Company's internal reserve evaluators at the acquisition date. The estimated proved and probable oil and gas reserves were discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing areas at the time. The fair value of decommissioning obligations was estimated using a credit adjusted risk free rate of 14.5%.

(1) See Non-GAAP and Other Financial Measures

Plato acquisition

On February 28, 2022, the Company completed a strategic acquisition (the “Plato Acquisition”), of certain oil and gas properties located in West Central Saskatchewan. These assets are located in Saturn’s core Viking business unit, consist of approximately 240 bbls/d of high netback light oil production, an excellent liability rating (“LLR”) >3.0 and reduce the Company’s overall royalty rates and operating costs per boe. The Plato Acquisition was completed for total cash consideration of $7.5 million and has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recorded at the estimated fair value on the acquisition date.

The determination of the purchase price, based on management’s estimate of fair values, is as follows:

($000s)	**February 28, 2022**
Property, plant and equipment	15,708
Asset retirement obligation	(588)
Deferred income tax liability	(1,908)
Net assets acquired	**13,212**
Cash consideration	7,489
Gain on acquisition	**5,723**

The determination of the estimated acquisition-date fair value of the oil and gas properties has been derived from proved and probable oil and gas reserves as estimated by the Company’s internal reserve evaluators at the acquisition date. The estimated proved and probable oil and gas reserves were discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing areas at the time. The fair value of decommissioning obligations was estimated using a credit adjusted risk free rate of 14.5%.

Oxbow acquisition

On June 7, 2021, Saturn closed a transformational acquisition (the “Oxbow Acquisition”) of assets in the Oxbow area of Southeast Saskatchewan (the “Oxbow Asset”). The Company acquired approximately 6,400 boe/d at closing date with over 450 net sections of land, largely positioned across one of the most economic oil plays in North America. The Oxbow Acquisition was completed for total cash consideration of $82.3 million, after final closing adjustments.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended December 31,		Year ended December 31,	
($000s, except per share amounts)	**2022**	2021	**2022**	2021
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales	**111,558**	53,754	**367,957**	114,723
Operating netback, net of derivatives[(1)]	**64,661**	14,366	**153,450**	38,627
Cashflow from (used in) operating activities	**58,100**	13,033	**102,314**	(1,285)
per share - Basic	**0.97**	0.52	**2.30**	(0.07)
- Diluted	**0.96**	0.31	**2.28**	(0.07)
Adjusted funds flow[(1)]	**50,729**	9,731	**118,658**	27,348
per share - Basic	**0.85**	0.39	**2.67**	1.41
- Diluted	**0.84**	0.23	**2.64**	1.25
Net income (loss)	**(16,728)**	(10,629)	**74,815**	(65,061)
per share - Basic	**(0.28)**	(0.42)	**1.68**	(3.36)
- Diluted	**(0.28)**	(0.42)	**1.66**	(3.36)
Property acquisitions	**805**	2,818	**248,367**	82,297
Capital expenditures[(1)]	**35,676**	4,048	**89,105**	8,694
Total assets	**582,907**	221,106	**582,907**	221,106
Net debt[(1)], end of period	**219,803**	71,054	**219,803**	71,054
Shareholders' equity (deficit)	**138,516**	(30,306)	**138,516**	(30,306)
Common shares outstanding, end of period	**59,892**	25,165	**59,892**	25,165
Weighted average, basic	**59,869**	25,151	**44,402**	19,339
Weighted average, diluted	**60,363**	41,626	**44,955**	21,960
OPERATING HIGHLIGHTS				
Average production volumes				
Crude oil (bbls/d)	**11,590**	6,549	**8,841**	3,759
NGLs (bbls/d)	**428**	356	**353**	176
Natural gas (mcf/d)	**2,971**	2,246	**2,392**	1,089
Total boe/d	**12,514**	7,279	**9,593**	4,117
% Oil and NGLs	**96%**	95%	**96%**	96%
Average realized prices				
Crude oil ($/bbl)	**103.03**	87.88	**111.84**	82.22
NGLs ($/bbl)	**51.47**	50.14	**58.41**	42.77
Natural gas ($/mcf)	**5.36**	4.59	**5.57**	4.11
Processing expenses ($/boe)	**(1.56)**	(2.67)	**(1.52)**	(1.64)
Petroleum and natural gas sales ($/boe)	**96.90**	80.26	**105.09**	76.35
Operating netback ($/boe)				
Petroleum and natural gas sales	**96.90**	80.26	**105.09**	76.35
Royalties	**(9.57)**	(14.19)	**(13.61)**	(12.01)
Net operating expenses[(1)]	**(22.42)**	(29.77)	**(24.67)**	(27.22)
Transportation expenses	**(0.45)**	(0.64)	**(0.61)**	(0.74)
Operating netback[(1)]	**64.46**	35.66	**66.20**	36.38
Realized loss on derivatives	**(8.29)**	(14.21)	**(22.38)**	(10.67)
Operating netback, net of derivatives[(1)]	**56.17**	21.45	**43.82**	25.71

(1) See Non-GAAP and Other Financial Measures

PRODUCTION

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Crude oil (bbls/d)	**11,590**	6,549	**8,841**	3,759
NGLs (bbls/d)	**428**	356	**353**	176
Natural gas (mcf/d)	**2,971**	2,246	**2,392**	1,089
Total boe/d	**12,514**	7,279	**9,593**	4,117

Total average production volumes increased to 12,514 boe/d in the fourth quarter of 2022 from 7,279 boe/d in the fourth quarter of 2021. The increase reflects production from the Viking Acquisition which averaged 3,541 boe/d and the Plato Acquisition which averaged 190 boe/d during the fourth quarter of 2022.

Total average production volumes increased to 9,593 boe/d in the year ended December 31, 2022 from 4,117 boe/d in the comparative 2021 period. The increase reflects production from the Viking Acquisition which averaged 1,770 boe/d and the Plato Acquisition which averaged 170 boe/d during the year ended 2022. The remaining increase is due to a full twelve months of the production from the Oxbow Asset and successful drilling results.

The core producing properties of the Oxbow Asset are geologically concentrated within the Mississippian-aged, Midale and Frobisher oil formations of Southeast Saskatchewan. For the three months and year ended December 31, 2022, the Oxbow Asset produced 7,522 boe/d and 7,094 boe/d, an increase of 7% from 7,015 boe/d and 83% from 3,866 boe/d in the comparative 2021 periods. The increase for the three months is due to capital spending outpacing natural declines. The increase for the twelve months is primarily due to a full twelve months of production from the Oxbow Asset which was acquired in the second quarter of 2021.

The core producing properties of our Viking assets (the "Viking Asset") located in West Central Saskatchewan produced approximately 4,992 boe/d and 2,499 boe/d for the three months and year ended December 31, 2022. This represents an increase of 1791% and 900% from 264 boe/d and 250 boe/d in the comparative 2021 periods. The increases in both comparative periods are primarily due to the Viking and Plato Acquisitions, complimented by drilling activity in the second half of 2022.

BENCHMARK AND REALIZED PRICES

	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021
Average benchmark prices				
WTI (US$/bbl)(1)	**82.65**	77.19	**94.25**	67.92
Exchange rate (US$/$C)	**1.36**	1.26	**1.30**	1.28
WTI (CA$/bbl)	**112.19**	97.28	**122.55**	86.90
MSW Par at Edmonton ($/bbl)(2)	**109.67**	93.15	**120.08**	80.08
Midale Par at Cromer ($/bbl)	**106.94**	95.75	**119.75**	83.92
LSB Par at Cromer ($/bbl)(3)	**107.23**	94.34	**119.06**	81.36
AECO natural gas ($/mcf)(4)	**5.11**	4.66	**5.31**	3.62
Average realized prices				
Crude oil ($/bbl)	**103.03**	87.88	**111.84**	82.22
NGLs ($/bbl)	**51.47**	50.14	**58.41**	42.77
Natural gas ($/mcf)	**5.36**	4.59	**5.57**	4.11
Processing expenses ($/boe)	**(1.56)**	(2.67)	**(1.52)**	(1.64)
Petroleum and natural gas sales ($/boe)	**96.90**	80.26	**105.09**	76.35

(1) West Texas Intermediate average calendar price
(2) Mixed Sweet Blend ("MSW")
(3) Light Sour Blend ("LSB")
(4) AECO 5A Daily Index Price

For the three months and year ended December 31, 2022, the Company realized a combined realized price for petroleum and natural gas of $96.90 per boe and $105.09 per boe, respectively, up from $80.26 per boe and $76.35 per boe in the comparative 2021 periods.

The majority of the Company's revenue base is from the sale of crude oil which varies based on sales point and certain par prices. The Company's realized price for crude oil from the Oxbow Acquisition in Southeast Saskatchewan is primarily based on the LSB and Midale par prices at Cromer, while the Viking Asset production in West Central Saskatchewan is primarily based on the MSW Par price at Edmonton. The Company's average realized oil price for the fourth quarter was $103.03 per bbl, a 17%
increase from $87.88 per bbl in the fourth quarter of 2021. The Company's average realized oil price for the year ended December 31, 2022 was $111.84 per bbl, a 36% increase from $82.22 per bbl in the year ended December 31, 2021.

PETROLEUM AND NATURAL GAS SALES

	Three months ended December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Crude oil	**109,861**	52,951	**360,891**	112,802
NGLs	**2,029**	1,643	**7,531**	2,750
Natural gas	**1,464**	948	**4,861**	1,633
Gross petroleum and natural gas sales(1)	**113,354**	55,542	**373,283**	117,185
Less: Processing expenses	**(1,796)**	(1,788)	**(5,326)**	(2,462)
Petroleum and natural gas sales	**111,558**	53,754	**367,957**	114,723

(1) See Non-GAAP and Other Financial Measures

Gross petroleum and natural gas sales for the three months and year ended December 31, 2022 was $113.4 million and $373.3 million compared to $55.5 million and $117.2 million in the comparative 2021 periods. For the three months ended December 31, 2022, the increase primarily relates to additional volumes associated with the Viking and Plato Acquisitions compounded by higher realized commodity prices. For the year ended December 31, 2022, the increase primarily relates to additional volumes associated with the Viking and Oxbow Acquisitions, compounded by higher realized commodity prices. Certain gas processing expenses are deducted from gross realized prices received due to product custody transfer at the gas processing terminal inlet. The Company presents this on a gross and net basis to demonstrate the actual realized prices received prior to netting. The above adjustments do not have an impact on the Company's netback.

ROYALTIES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Royalties	**11,022**	9,502	**47,640**	18,050
% of gross petroleum and natural gas sales(1)	**9.7%**	17.1%	**12.8%**	15.4%
$ per boe	**9.57**	14.19	**13.61**	12.01

(1) See Non-GAAP and Other Financial Measures

Royalties as a percentage of gross petroleum and natural gas sales in the three months and year ended December 31, 2022 were 9.7% and 12.8% compared to 17.1% and 15.4% in the comparative 2021 periods. The decrease in royalty rates were primarily attributable to the Viking Acquisition which had lower associated royalties than the Company's Oxbow Asset.

Saturn pays royalties to the provincial governments and mineral owners primarily in Saskatchewan.

NET OPERATING EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Operating expenses	**26,871**	20,665	**89,554**	42,392
Less: processing income	**(1,054)**	(727)	**(3,175)**	(1,491)
Net operating expenses(1)	**25,817**	19,938	**86,379**	40,901
$ per boe(1)	**22.42**	29.77	**24.67**	27.22

(1) See Non-GAAP and Other Financial Measures

Net operating expenses per boe for the three months and year ended December 31, 2022, were $22.42 and $24.67 compared to $29.77 and $27.22 in the comparative 2021 periods. The decrease for the three months and year ended December 31, 2022 was primarily attributable to the Viking Acquisition which had lower net operating expenses per boe than the Company average for the same periods in 2021.

TRANSPORTATION EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Transportation expenses	**518**	429	**2,139**	1,107
$ per boe	**0.45**	0.64	**0.61**	0.74

Transportation expenses per boe were $0.45 and $0.61 in the three months and year ended December 31, 2022 compared to $0.64 and $0.74 in the comparative 2021 periods. The increase in transportation expenses on a total dollar basis was attributable to additional clean oil trucking in the period as a result of the Viking and Plato Acquisitions. Transportation expenses on a per boe basis were lower for the three months and year ended 2022 as the Viking Assets required less clean oil trucking relative to the Oxbow assets.

RISK MANAGEMENT AND COMMODITY FINANCIAL DERIVATIVES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Realized loss on derivatives	**(9,540)**	(9,519)	**(78,349)**	(16,038)
Unrealized loss on derivatives	**(54,574)**	(7,764)	**(8,920)**	(74,570)
Realized loss on derivatives $ per boe	**(8.29)**	(14.21)	**(22.38)**	(10.67)

The Company uses commodity risk management contracts which are classified as financial derivatives to manage exposure to commodity price volatility. Details of open commodity contracts as at December 31, 2022 are described in “Market Risk” section below.

For the three months and year ended December 31, 2022, the Company realized a loss on its financial commodity contracts of $9.5 million and $78.3 million compared to $9.5 million and $16.0 million in the comparable periods. Saturn has not designated any financial commodity contracts as hedges, and as a result the unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. At December 31, 2022, the outstanding financial commodity contracts had a net liability of $83.4 million (December 31, 2021 - $74.5 million).

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
General and administrative expenses	**2,509**	1,383	**7,980**	3,802
$ per boe	**2.18**	2.07	**2.28**	2.53

General and administrative (“G&A”) expenses in the three months and year ended December 31, 2022 were $2.5 million and $8.0 million compared to $1.4 million and $3.8 million in the comparable 2021 periods. The increase in G&A expenses was largely attributable to the expanded employee base and associated growth costs of the organization post Viking and Oxbow Acquisitions.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Depletion, depreciation and amortization	**18,034**	6,290	**46,035**	16,226
$ per boe	**15.66**	9.39	**13.15**	10.80

Saturn records depletion, depreciation and amortization (“DD&A”) on its property, plant and equipment (“PP&E”) over the useful lives of the assets employing the unit of production method using proved plus probable reserves and associated future development capital required for its petroleum and natural gas assets, and a declining balance method for its corporate administrative assets.

DD&A in the three months and year ended December 31, 2022 was $15.66 per boe and $13.15 per boe compared to $9.39 per boe and $10.80 per boe in the comparative 2021 periods. The increase in DD&A on a per boe basis in the three months and year ended December 31, 2022 was primarily due to a smaller relative increase in the reserve base over the depletable base as a result of the Viking Acquisition.

SHARE BASED COMPENSATION

The Company has an incentive stock option plan (the "Option Plan") in place under which it is authorized to grant stock options to directors, officers, and employees enabling them to acquire common shares of the Company upon exercise. The stock options granted pursuant to the Option Plan are granted for maximum term of 5 years, and vest at either 25% upon grant and 12.5% at the end of every quarter after the grant date; 10% upon grant and 7.5% at the end of every quarter after the grant date; or 1/3 on each of the first, second and third anniversary after the grant date. Vesting conditions are determined by the Board of Directors.

The Company has a Restricted Share Unit and Deferred Share Unit Plan (the "RSU/DSU Plan") under which it is authorized to grant RSUs and DSUs to directors, officers, and employees. The RSUs granted under the RSU Plan are to be settled through the issuance of new common shares upon vesting. RSUs vest in three equal tranches with 1/3 on each of the first, second and third anniversary after the grant date.

For the three months and year ended December 31, 2022, the Company recorded share-based compensation of $0.1 million and $0.5 million compared to $0.2 million and $0.5 million for the respective 2021 periods. The increase in share-based compensation expense is primarily due to the expanded employee base driven by the continued growth of the Company.

FINANCING EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Interest expense, cash	**11,661**	3,227	**28,548**	7,718
Interest expense, paid in kind	**-**	595	**572**	2,703
Amortization of original issue discount and debt issue costs	**1,047**	1,245	**4,185**	3,251
Accretion, debt instruments	**33**	54	**208**	394
Accretion, leases	**123**	140	**534**	332
Accretion, decommissioning obligations	**1,908**	1,715	**7,367**	3,579
Financing expenses	**14,772**	6,976	**41,414**	17,977

Financing expenses for the three months and year ended December 31, 2022 were $14.8 million and $41.4 million compared to $7.0 million and $18.0 million in the comparative 2021 periods. The increase in financing expenses relate primarily to higher cash interest expense related to the expanded Senior Term Loan and accretion on decommissioning obligations related to the Oxbow, Plato, and Viking Acquisitions.

LOSS ON DEBT EXTINGUISHMENT

On June 7, 2021, Saturn entered into an amended and restated note purchase agreement to exchange US$19.7 million drawn on the US$20.0 million secured reserve-based revolving note facility plus accrued and unpaid interest of $2.0 million and replace them with $19.7 million in second priority senior secured cash/paid in kind ("Cash/PIK Notes") and $2.0 million in 15% second-priority senior secured term PIK notes ("PIK Notes") (collectively the "Term Notes") originally due December 7, 2024.

On February 28, 2022, the Company completed a debt consolidation whereby it early retired its second-lien Term Notes for $32.1 million (US$25.3 million) with a principal amount outstanding of $29.5 million (US$23.2 million) resulting in an early retirement make-whole payment of $2.6 million (US$2.3 million) paid to the lender. In connection with the debt extinguishment, $4.6 million of non-cash unamortized debt issue costs were accelerated and expensed in profit or loss.

Concurrently, the Company expanded its Senior Term Loan by $38.0 million resulting in a debt modification gain of $0.3 million recognized in profit or loss due to the amended repayment terms. An expanded description of the Senior Term Loan is further described in the Liquidity and Capital Resources section of this MD&A.

The following tables reconciles the February 28, 2022 loss on debt extinguishment:

($000s)	**Amount**
Term Notes principal outstanding	29,495
Term Notes unamortized debt issue costs	(4,565)
Term Notes carrying value	24,930
Term Notes retirement payment	(32,107)
Senior Term Loan gain on debt modification	294
	(6,883)
Comprised of:	
Term Notes make whole payment	(2,612)
Term Notes accelerated debt issue costs, non-cash	(4,565)
Senior Term Loan gain on debt modification, non-cash	294
Loss on debt extinguishment	(6,883)

On July 6, 2022, the pre-existing unamortized debt issue costs and proportional amount of new debt issue costs were expensed, resulting in a $4.6 million non-cash loss on debt extinguishment.

The following tables reconciles the July 6, 2022 loss on debt extinguishment:

($000s)	**Amount**
Senior Term Loan principal outstanding (pre-expansion)	94,623
Senior Term Loan unamortized debt issue costs	(3,782)
Senior Term Loan carrying value	90,841
Senior Term Loan retirement payment	(94,623)
Proportion of new debt issue costs	(793)
Loss on debt extinguishment	(4,575)
Comprised of:	
Senior Term Loan unamortized debt issue costs, non-cash	(3,782)
Proportion of new debt issue costs, non-cash	(793)
Loss on debt extinguishment	(4,575)

GAIN ON WARRANT LIABILITY

The Company issued 2,190,000 common share purchase warrants in connection with the Term Notes on June 7, 2021. The warrants have been recognized as part of debt issue costs with a corresponding amount recorded to warrant liability. On December 31, 2021, the warrant liability was determined to have a fair value of $4.8 million. On December 31, 2022, the warrant liability was determined to have a fair value of $2.0 million resulting in a $2.8 million unrealized gain recognized in profit or loss for the year ended December 31, 2022.

On March 1, 2023, the 2,190,000 share purchase warrants expired as a result of the Term Note retirement (note 13).

DEFERRED TAXES

For the three months and year ended December 31, 2022, the Company recognized a net deferred income tax recovery of $6.1 million and $5.9 million compared to an expense of $0.7 million and a recovery of $2.6 million in the comparative 2021 periods. For the three months ended December 31, 2022, the deferred income tax recovery is primarily a result the Company's ending deferred tax asset position, partially offset by a deferred tax expense associated with final statement of adjustments related to the Viking Acquisition. For the year ended December 31, 2022, the recovery is due to the Viking and Plato Acquisitions, partially offset by deferred tax expense associated with the Company's net income.

CASH FLOW FROM (USED IN) OPERATING ACTIVITIES, ADJUSTED FUNDS FLOW AND NET INCOME (LOSS)

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Cashflow from (used in) operating activities	**58,100**	13,033	**102,314**	(1,285)
per share - Basic	**0.97**	0.52	**2.30**	(0.07)
- Diluted	**0.96**	0.31	**2.28**	(0.07)
Adjusted funds flow[1]	**50,729**	9,731	**118,658**	27,348
per share - Basic	**0.85**	0.39	**2.67**	1.41
- Diluted	**0.84**	0.23	**2.64**	1.25
Net income (loss)	**(16,728)**	(10,629)	**74,815**	(65,061)
per share - Basic	**(0.28)**	(0.42)	**1.68**	(3.36)
- Diluted	**(0.28)**	(0.42)	**1.66**	(3.36)

(1) See Non-GAAP and Other Financial Measures

Adjusted funds flow for the three months and year ended December 31, 2022, was $50.7 million and $118.7 million compared to $9.7 million and $27.3 million in the comparative 2021 periods. The increase in adjusted funds flow was primarily due to the Viking Acquisition which resulted in increased petroleum and natural gas sales, offset in part by increased royalties, operating expenses, transportation expenses and G&A, coupled with higher interest costs associated with the Senior Term Loan expansion.

For the three months and year ended December 31, 2022, the Company realized a net loss of $16.7 million and a net income of $74.8 million compared to net losses of $10.6 million and $65.1 million in the comparative 2021 periods. The increased net loss for the three months ended December 31, 2022 compared to the prior period is primarily due to the increased unrealized loss on derivatives, partially offset by the increase in adjusted funds flow due to the Viking and Plato Acquisitions. The net income for the year ended December 31, 2022 compared to the net loss in the comparative period is due to the increase operating netback, net of derivatives primarily due to increased commodity pricing and the Viking and Plato Acquisitions.

CAPITAL EXPENDITURES

	Three months ended December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Drilling and completions	**26,736**	3,152	**67,854**	6,899
Facilities	**7,468**	467	**15,342**	811
Land and lease	**-**	-	**12**	90
Capitalized G&A and other	**898**	429	**4,039**	894
PP&E expenditures	**35,102**	4,048	**87,247**	8,694
E&E expenditures	**574**	-	**1,858**	-
Capital expenditures	**35,676**	4,048	**89,105**	8,694
Property acquisition	**805**	2,818	**248,367**	82,297
Capital expenditures, net of A&D	**36,481**	6,866	**337,472**	90,991

For the three months ended December 31, 2022, the Company drilled 16 (Net 15.6) wells: 9 in the Viking, 4 in Frobisher, 2 in Tilston, and 1 in Alida. For the three months ended December 31, 2021, the Company drilled 4 (net 4.0) wells in Southeast Saskatchewan. Further workovers/re-activations of existing non-producing wells were also performed.

For the year ended December 31, 2022, the Company drilled a total of 58 (Net 57.5) wells: thirty-two in the Viking, twenty-one in Frobisher, four in Tilston, and one in Alida, and one disposal well. Included in the Frobisher wells drilled was one injection well to compliment the additional production. Further workovers/re-activations of existing non-producing wells were also performed. For the year ended December 31, 2021, the Company drilled a total of 9 (Net 7.5) wells in Southeast Saskatchewan.

	Three months ended December 31,				Year ended December 31,			
		2022		2021		**2022**		2021
	Gross	**Net**	Gross	Net	**Gross**	**Net**	Gross	Net
Wells drilled	**16**	**15.6**	4	4.0	**58**	**57.5**	9	7.5

LIQUIDITY AND CAPITAL RESOURCES

Senior Term Loan

The Company had in place an $87.0 million senior secured term loan ("Senior Term Loan") at an original issue discount of 3.375% secured by a first-priority lien to all its real and personal assets, property and undertaking. On February 28, 2022, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $38.0 million to an aggregate principal amount of $103.2 million at an original issue discount of 3.375%. On July 6, 2022, the Company entered into a Second Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $200.0 million to an aggregate principal amount of $294.6 million at an original issue discount of 3.375%. The loan will amortize over three years with the repayment dates as follows: July 6, 2022 to August 31, 2022 of $nil, September 1, 2022 to July 31, 2023 of $12.3 million per month, August 1, 2023 to July 31, 2024 of $7.4 million per month and August 1, 2024 to July 31, 2025 of $4.9 million per month. All principal repayments are subject to an exit fee of 2.5% on the aggregate principal amount of any such payment. The Senior Term Loan bears interest 11.5% per annum plus the applicable periodic Canadian dollar bankers' acceptance rates at a minimum rate of 1%. The Senior Term Loan has a revised stated maturity date of July 7, 2025.

The Senior Term Loan is subject to various covenants on the part of the Company. As at December 31, 2022, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the current key financial covenants as set forth in the credit agreement:

Covenant description	Covenant Ratio	**December 31, 2022**
PDP Asset Coverage Ratio Minimum[(1)]	1.75	3.10
Current Ratio Minimum[(2)]	1.00	1.06
First Lien Net Leverage Ratio Maximum[(3)]	1.75	1.09

(1) The ratio of (a) the PV10 of Saturn's proved developed producing ("PDP") reserves and the SMER deposit net of financial derivatives, to (b) the carrying value of the Senior Term Loan net of cash.

(2) The ratio of (a) current assets; excluding financial derivatives, to (b) current liabilities; excluding the current portion of the Senior Term Loan, financial derivatives and lease liabilities.

(3) The ratio of (a) the Senior Term Loan net of cash, to (b) annualized earnings before interest, taxes, depreciation, amortization and other non-cash items ("Adjusted EBITDA").

Convertible notes

As at December 31, 2022, the Company has a $1.3 million (December 31, 2021 - $1.2 million) and a $1.0 million (December 31, 2021 - $1.0 million) convertible note payable due to a shareholder. Each note bears interest at 5% per annum and is subordinated until July 2025. The convertible note payable and unpaid interest is convertible into shares of the Company at the option of the holder at a conversion price of $2.00 per share for the $1.3 million convertible note and at $3.00 per share for the $1.0 million convertible note. As at December 31, 2022, the convertible notes had a carrying value of $2.4 million.

Promissory note

As at December 31, 2022, the Company has a note payable to a shareholder in the amount of $0.8 million (December 31, 2021 - $0.8 million) which bears interest at a rate of 2% and is subordinated until July 2025.

Liquidity

The Company generally relies on internal profitability measured by Adjusted funds flow, debt financing and equity issuances to fund its capital requirements and provide liquidity. To the extent possible, Saturn has attempted to mitigate certain risks by entering into financial derivative commodity contracts to reduce the financial impact of downward commodity price movements on a portion of our anticipated production. Future liquidity depends primarily on profitability and the ability to access debt and equity markets. All principal repayments on the Senior Term Loan that are due within twelve months are presented as current liabilities on the statement of financial position with the remainder classified as non-current. The Company believes that the capital structure of the company coupled with the projected Adjusted funds flow will satisfy Saturn's successful continuing operations.

Further discussion on the equity offerings completed by the Company in 2022 are described in "Share Capital" section below.

Market Capitalization and Net debt

Management considers net debt a key measure in assessing the Company's liquidity. Saturn's net debt (see "Non-GAAP and Other Financial Measures") totaled $219.8 million as at December 31, 2022 compared to $71.1 million as at December 31, 2021. The Company's net debt to annualized fourth quarter adjusted funds flow was 1.1 times, a significant decrease from prior period due to the Viking and Plato Acquisitions funded by the Senior Term Loan, successful drilling results and the 2022 equity financings. A summary of the Company's net debt and net debt to annualized quarterly adjusted funds flow is provided below:

($000s)	**December 31, 2022**	December 31, 2021
Total common shares outstanding (000s)	**59,892**	25,165
Share price(1)	**2.35**	3.94
Total market capitalization	**140,746**	99,150
Adjusted working capital(2)	**(3,128)**	(65)
Long-term deposit	**(21,101)**	(21,021)
Senior Term Loan	**240,843**	65,055
Promissory notes	**828**	784
Convertible notes	**2,361**	2,197
Term Notes	**-**	24,104
Net debt	**219,803**	71,054
Annualized quarterly adjusted funds flow	**202,916**	38,924
Net debt to annualized quarterly adjusted funds flow	**1.1x**	1.8x

(1) Represents the closing share price on the TSXV on the last day of trading of the period.
(2) Adjusted working capital is calculated as cash, accounts receivable, deposits and prepaids net of accounts payable.

Off-balance sheet transactions

The Company is not party to any arrangements that would be excluded from the balance sheet other than the commitments disclosed in Note 23 "Commitments" to the financial statements.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

On March 10, 2022, Saturn completed an equity financing for aggregate gross proceeds of $20.6 million comprised of a bought-deal financing of 6,141,000 units at a price of $3.00 per unit and a non-brokered financing of 730,000 units at a price of $3.00 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $4.00 for a period of 36 months.

On July 6, 2022, Saturn completed a bought-deal equity financing of 27,181,860 units at a price of $2.75 per unit; and a non-brokered private placement of 145,573 units at a price of $2.75 per unit, together the ("July Equity Financings") for aggregate gross proceeds of $75.2 million. Each unit consisted of one Common Share and one-half of one common share purchase warrant entitling the holder of each whole warrant to acquire one Common Share at a price of $3.20 expiring July 7, 2023. The Company recorded $6.8 million in share issue costs comprised of $5.3 million in commission and fees and the calculated fair value of $1.5 million associated with 1,619,962 broker options issued to underwriters and advisors.

As at the date of this MD&A, December 31, 2022 and December 31, 2021, the following common shares are outstanding and/or remain issuable upon exercise of the underlying securities.

(000s) Number of securities	**March 28, 2023**	**December 31, 2022**	December 31, 2021
Common shares outstanding	**138,560**	**59,892**	25,165
Warrants	**41,330**	**36,520**	15,607
Stock options	**1,654**	**1,687**	1,983
Broker options	**4,254**	**2,532**	1,783
Restricted share units	**45**	**45**	-
Total securities outstanding	**185,843**	**100,676**	44,538

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations and commitments as at December 31, 2022:

($000s)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Senior Term Loan	122,828	122,652	-	-	245,480
Interest payments[(1)]	31,981	19,290	-	-	51,271
Promissory notes	-	879	-	-	879
Convertible notes	-	2,743	-	-	2,743
Lease liabilities[(2)]	1,937	3,014	818	883	6,652
Gas processing contracts	943	1,886	1,886	6,679	11,394
	157,689	150,464	2,704	7,562	318,419

(1) Represents cash interest payments on scheduled payment dates related to the Senior Term Loan, at the period end Canadian dollar bankers' acceptance rate.

(2) Represents the remaining undiscounted minimum lease payments on the company's lease liabilities.

RISKS AND UNCERTAINTIES

Factors beyond Saturn's control may determine whether any oil and gas reserves the Company discovers are sufficiently economic to be developed. The determination of whether petroleum and natural gas deposits are economic is affected by numerous factors beyond Saturn's control. These factors include market fluctuations for oil and gas; the costs of access and surface rights; and government regulations governing prices, taxes, royalties, land tenure, land use, importing and exporting of resources and environmental protection.

Land reclamation requirements for exploration and development properties may be burdensome. Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on companies in extractive industries such as oil and gas or mining in order to minimize long-term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance landforms and vegetation. In order to carry out reclamation obligations imposed on the Company in connection with ongoing exploration and development, Saturn must allocate financial resources that might otherwise be spent on further exploration and development programs.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. While the Company is exposed to liquidity risk, it actively manages it through strategies such as prudent capital spending, an active commodity risk management program; shown in the market risk section below, and by continuously monitoring forecast and actual cash flows from operating, financing and investing activities. Management believes it will have sufficient funding to meet foreseeable liquidity requirements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

The Company's policy to mitigate credit risk going forward is to maintain marketing relationships with large, established and reputable purchasers that are considered to be creditworthy. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners. Joint venture receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. The Company does not request letters of credit in its favor from joint venture partners; however the Company has the ability to withhold production from joint operating partners in the event of non-payment or is able to register security on the assets of joint operating partners.

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties for derivative instrument transactions are limited to investment grade counterparties.

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated financial derivatives. A ten percent change in the US dollar would have resulted in a $8.9 million change to net income (loss) before tax (December 31, 2021 – $2.5 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates associated with the periodic outstanding term based on Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by one percent would have changed net income (loss) by approximately $2.1 million during the year ended December 31, 2022 (December 31, 2021 – $0.2 million) assuming all other variables remain constant.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to explore its resource properties and future profitability of the Company are directly related to the market price of commodities. Prices for oil and gas are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

Market risk

Saturn manages the risks associated with changes in commodity prices by entering into a variety of risk management commodity contracts classified as financial derivatives. The Company assesses the effects of movement in commodity prices on income before tax. A ten percent increase or decrease in commodity prices would have resulted in a $62.9 million change to unrealized gains or (losses) on risk management contracts and net income (loss) before tax assuming all other variables remain constant.

The Company had the following outstanding financial derivative commodity contracts as at December 31, 2022:

	WTI Collars		WTI Swaps		WTI Swaps		WTI/MSW Differential	
Period	Volume (bbls/d)	Price[1] (US$/bbl)	Volume (bbls/d)	Price[1] (US$/bbl)	Volume (bbls/d)	Price[1] (CA$/bbl)	Volume (bbls/d)	Price[1] (US$/bbl)
Q1 2023	2,397	50.83 - 60.94	4,319	73.30	445	123.75	4,595	(5.70)
Q2 2023	2,319	50.79 - 60.82	4,078	72.76	424	123.75	4,455	(5.70)
Q3 2023	2,239	50.72 - 60.58	3,854	72.20	404	115.85	4,317	(5.70)
Q4 2023	2,168	50.66 - 60.39	3,665	71.73	386	115.85	4,192	(5.70)
Q1 2024	2,103	50.63 - 56.49	3,490	65.31	294	108.96	-	-
Q2 2024	2,044	50.61 - 56.46	3,332	65.01	283	108.96	-	-
Q3 2024	1,992	50.63 - 56.49	3,173	64.67	272	103.43	-	-
Q4 2024	1,923	50.56 - 56.32	3,054	64.50	262	103.43	-	-
Q1 2025	1,818	50.38 - 56.60	2,978	60.50	63	98.17	-	-
Q2 2025	1,771	55.14 - 59.00	2,871	63.22	61	98.17	-	-
Q3 2025	1,729	65.00 - 68.10	2,753	69.05	59	94.49	-	-
Q4 2025	1,684	65.00 - 68.10	2,637	68.99	57	94.49	-	-
Q1 2026	1,080	65.00 - 68.10	3,077	67.21	-	-	-	-
Q2 2026	-	-	4,028	67.30	-	-	-	-

(1) Weighted average prices for the period.

Subsequent to December 31, 2022, the Company entered into the following financial derivative commodity contracts:

	WTI Collars		WTI Swaps		WTI Swaps		WTI/MSW Differential	
Period	Volume (bbls/d)	Price[1] (CA$/bbl)	Volume (bbls/d)	Price[1] (CA$/bbl)	Volume (bbls/d)	Price[1] (CA$/bbl)	Volume (bbls/d)	Price[1] (CA$/bbl)
Q1 2023	1,533	96.86 - 107.27	-	-	2,205	101.29	3,501	(3.61)
Q2 2023	4,000	96.50 - 105.71	-	-	3,150	100.82	9,472	(3.61)
Q3 2023	3,000	96.67 - 106.44	-	-	3,463	101.68	8,642	(4.07)
Q4 2023	3,000	96.67 - 106.44	-	-	2,960	101.07	7,987	(5.07)
Q1 2024	-	-	-	-	5,695	100.07	11,583	(5.46)
Q2 2024	-	-	-	-	5,361	100.08	11,020	(6.25)
Q3 2024	-	-	-	-	5,095	96.03	7,142	(6.25)
Q4 2024	-	-	-	-	4,857	96.03	-	-
Q1 2025	-	-	-	-	4,843	91.72	-	-
Q2 2025	-	-	-	-	4,619	91.72	-	-
Q3 2025	-	-	-	-	4,425	88.64	-	-
Q4 2025	-	-	-	-	4,248	88.64	-	-
Q1 2026	-	-	-	-	4,156	85.22	-	-
Q2 2026	-	-	-	-	3,989	85.22	-	-
Q3 2026	-	-	-	-	7,735	82.86	-	-
Q4 2026	-	-	-	-	7,467	82.86	-	-
Q1 2027	-	-	-	-	5,150	79.85	-	-

(1) Weighted average prices for the period.

General risks

Petroleum and natural gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Saturn maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

Climate change risks

Our exploration and production infrastructure and other operations and activities emit greenhouse gasses ("GHG") which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate our effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects. Some of our significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate change has been linked to long-term shifts in climate patterns and extreme weather conditions both of which pose the risk of causing operational difficulties.

SUMMARY OF QUARTERLY RESULTS

	2022				2021			
($000s, except per boe amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial:								
Petroleum and natural gas sales	**111,558**	105,728	82,230	69,115	54,481	47,822	12,589	1,322
Cashflow from (used in) operations	**58,100**	13,472	20,399	10,342	13,033	16,160	(30,265)	(213)
Net income/(loss)	**(16,728)**	167,307	21,855	(97,618)	(10,629)	(23,307)	(29,597)	(1,529)
Basic ($/share)	**(0.28)**	2.89	0.68	(3.63)	(0.55)	(0.05)	(0.10)	(0.13)
Diluted ($/share)	**(0.28)**	2.87	0.66	(3.63)	(0.55)	(0.05)	(0.10)	(0.13)
Property acquisitions	**805**	240,070	(90)	7,583	2,818	2,660	76,820	-
Capital expenditures(1)	**35,676**	36,991	5,970	10,466	4,048	4,445	201	-
Total assets	**582,907**	593,594	347,201	268,568	221,106	228,564	236,356	41,783
Common shares outstanding (000s)	**59,892**	59,839	32,361	32,361	25,165	25,145	25,145	11,728
Operational:								
Average daily production								
Crude oil (bbls/d)	**11,590**	10,163	6,722	6,821	6,549	6,413	1,741	233
NGLs (bbls/d)	**428**	363	287	334	356	278	66	-
Natural gas (Mcf/d)	**2,971**	2,634	1,887	2,063	2,246	1,673	408	-
Total (boe/d)	**12,514**	10,965	7,324	7,499	7,279	6,970	1,875	233

(1) See Non-GAAP and Other Financial Measures

In the fourth quarter of 2022, the Company invested $35.7 million in capital expenditures, drilling 16 wells (15.6 net). Principal repayments of $36.9 million were made resulting in net debt of $219.8 million. A record $50.7 million in Adjusted funds flow was achieved primarily due to an Operating netback, net of derivatives of $56.17 per boe and production of 12,514 boe/d. The quarterly sales, pricing, production, net income, cash flow from operations, Adjusted funds flow and capital expenditures are discussed in the previous sections of this MD&A.

In the third quarter of 2022, the Company invested $240.1 million in property acquisitions relating to the Viking Acquisition and $37.0 million in capital expenditures. The Senior Term loan was expanded by $200.0 million and accompanying equity offerings provided additional gross proceeds of $75.2 million to fund the Viking Acquisition. Principal repayments of $12.3 million were made resulting in net debt of $232.7 million. A record $39.8 million in Adjusted Funds Flow was achieved primarily due to an Operating netback, net of derivatives of $50.60 per boe.

In the second quarter of 2022, the Company invested $5.5 million in capital expenditures, made $12.2 million in principal repayments on the Senior Term Loan resulting in net debt to $58.2 million and achieved $14.5 million in Adjusted Funds Flow primarily due to an Operating netback, net of derivatives of $29.91 per boe.

In the first quarter of 2022, the Company invested $10.5 million in capital expenditures, achieved $13.4 million in Adjusted Funds Flow primarily due to an Operating netback, net of derivatives of $26.38 per boe, made $3.6 million in principal repayments on the Senior Term Loan and retired its Term Notes for $32.1 million with an expansion of the Senior Term Loan of $38.0 million. The Company completed an equity financing for gross proceeds of $20.6 million and closed the Plato Acquisition for $7.6 million, after final closing adjustments.

Late in the second quarter of 2021, the Company completed the Oxbow Acquisition, thereby increasing its production, revenue, and asset base into the third and fourth quarter of 2021. The Oxbow Acquisition was funded by a $87.0 million Senior Term Loan and an equity financing for total gross proceeds of $32.2 million. In connection with the Oxbow Acquisition, the Company entered into commodity financial derivative contracts representing approximately 80% of production on a declining basis, and placed a $21.0 million deposit (See Note 11 to the financial statements) with the Saskatchewan Ministry of Energy and Resources related to its decommissioning obligations.

In the first quarter of 2021, Saturn produced 233 boe/d from its Viking Assets in West Central Saskatchewan resulting in revenue of $1.3 million. The company's capital expenditures were halted as decreased benchmark prices forced cashflow to be directed towards the operations of the Company.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

There were no recent accounting standards or interpretations issued, but not yet effective, that are anticipated to have a material effect on the Company's net income (loss) or amounts shown on its statement of financial position.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

USE OF ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made relate to, but are not limited to, the following:

- The recoverability of accounts receivable and due from related parties which is included in the consolidated statement of financial position;
- The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the consolidated statement of financial position;
- The determination of the fair value of stock options, RSUs, or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants;
- Fair values of petroleum and natural gas properties, depletion and depreciation expense and amounts used in impairment calculations are based on estimates of proved and probable oil and gas reserves are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. By their nature, estimates of proved and probable oil and gas reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material;

- Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the credit-adjusted risk free discount rate used;
- In the determination of fair value for convertible notes, the Company uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, the Company seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a company in the industry;
- Financial derivative commodity contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include Black-Scholes option valuation model and forward pricing and swap models. The models incorporate various inputs including the credit quality of counterparties, forecast benchmark commodity prices, and foreign exchange; and
- The determination of the estimated acquisition-date fair value of oil and gas properties involves significant estimates, including proved and probable oil and gas reserves and discount rates. The estimate of proved and probable reserves includes significant assumptions related to forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs. Changes in the assumptions or estimates used in determining the estimated acquisition date fair value of the acquired assets and liabilities could impact the allocation of the purchase price between assets and liabilities recorded on the statement of financial position and revenue and expenses recorded on the statement of comprehensive income (loss).

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, Saturn employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Saturn's performance.

Non-GAAP Financial Measures and Ratios

NI 52-112 defines a non-GAAP financial measure as: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (iii) is not disclosed in the financial statements of the entity, and (iv) not a ratio, fraction, percentage or similar representation. NI 52-112 defines a non-GAAP ratio as: (i) is in the form of a ratio, fraction, percentage or similar representation, (ii) has a non-GAAP financial measure as one or more of its components, and (iii) is not disclosed in the financial statements of the entity. The Company has presented the following non-GAAP financial measures and ratios within this MD&A.

Capital expenditures

Saturn uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. Saturn's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes or payments under certain lease arrangements. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and capital expenditures, net acquisitions and dispositions ("A&D") to cashflow used in investing activities.

	Three months ended December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Cash flow used in investing activities	**41,747**	7,226	**318,238**	87,856
Change in non-cash working capital	**(5,266)**	(360)	**19,234**	3,135
Capital expenditures, net A&D	**36,481**	6,866	**337,472**	90,991
Property acquisitions	**(805)**	(2,818)	**(248,367)**	(82,297)
Capital expenditures	**35,676**	4,048	**89,105**	8,694

Free funds flow

Saturn uses free funds flow as an indicator of the efficiency and liquidity of Saturn's business, measuring its funds after capital investment available to manage debt levels, pursue acquisitions and gauge optionality to pay dividends and/or and return capital to shareholders through activities such as share repurchases. Saturn calculates free funds flow as Adjusted funds flow in the period less capital expenditures. By removing the impact of current period capital expenditures from adjusted funds flow, management monitors its free funds flow to inform its capital allocation decisions. The following table reconciles Adjusted funds flow to Free funds flow.

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Adjusted funds flow	**50,729**	9,731	**118,658**	27,348
Capital expenditures	**(35,676)**	(4,048)	**(89,105)**	(8,694)
Free funds flow	**15,053**	5,683	**29,553**	18,654

Gross petroleum and natural gas sales

Gross petroleum and natural gas sales is calculated by adding oil, natural gas and NGLs revenue, before deducting certain gas processing expenses in arriving at Petroleum and natural gas revenue as required under IFRS-15. These processing expenses associated with the processing of natural gas and NGLs revenue are a result of the Company transferring custody of the product at the terminal inlet, and therefore receiving net prices. This metric is used by management to quantify and analyze the realized price received before required processing deductions, against benchmark prices. The calculation is shown within the Petroleum and natural gas sales section of this MD&A.

Net operating expenses

Net operating expense is calculated by deducting processing income primarily generated by processing third party production at processing facilities where the Company has an ownership interest, from operating expenses presented on the Statement of income (loss). Where the Company has excess capacity at one of its facilities, it will process third-party volumes to reduce the cost of ownership in the facility. The Company's primary business activities are not that of a midstream entity whose activities are focused on earning processing and other infrastructure-based revenues, and as such third-party processing revenue is netted against operating expenses in the MD&A. This metric is used by management to evaluate the Company's net operating expenses on a unit of production basis. Net operating expense per boe is a non-GAAP financial ratio and is calculated as net operating expense divided by total barrels of oil equivalent produced over a specific period of time. The calculations are shown within the Net operating expenses section of this MD&A.

Operating netback and Operating netback, net of derivatives

The Company's operating netback is determined by deducting royalties, net operating expenses and transportation expenses from petroleum and natural gas sales. The Company's operating netback, net of derivatives is calculated by adding or deducting realized financial derivative commodity contract gains or losses from the operating netback. The Company's operating netback and operating netback, net of derivatives are used in operational and capital allocation decisions. Presenting operating netback and operating netback, net of derivatives on a per boe basis is a non-GAAP financial ratio and allows management to better analyze performance against prior periods on a per unit of production basis. The calculation of the Company's operating netbacks and operating netback, net of derivatives are summarized as follows.

($000s)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021
Petroleum and natural gas sales	**111,558**	53,754	**367,957**	114,723
Royalties	**(11,022)**	(9,502)	**(47,640)**	(18,050)
Net operating expenses	**(25,817)**	(19,938)	**(86,379)**	(40,901)
Transportation expenses	**(518)**	(429)	**(2,139)**	(1,107)
Operating netback	**74,201**	23,885	**231,799**	54,665
Realized loss on financial derivatives	**(9,540)**	(9,519)	**(78,349)**	(16,038)
Operating netback, net of derivatives	**64,661**	14,366	**153,450**	38,627
($ per boe amounts)				
Petroleum and natural gas sales	**96.90**	80.26	**105.09**	76.35
Royalties	**(9.57)**	(14.19)	**(13.61)**	(12.01)
Net operating expenses	**(22.42)**	(29.77)	**(24.67)**	(27.22)
Transportation expenses	**(0.45)**	(0.64)	**(0.61)**	(0.74)
Operating netback	**64.46**	35.66	**66.20**	36.38
Realized loss on financial derivatives	**(8.29)**	(14.21)	**(22.38)**	(10.67)
Operating netback, net of derivatives	**56.17**	21.45	**43.82**	25.71

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Please refer to note 21 "Capital Management" in Saturn's financial statements for additional disclosure on adjusted working capital, net debt, adjusted EBITDA and adjusted funds flow, each of which are capital management measures used by the Company in this MD&A.

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

BOE PRESENTATION

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Bbl : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

DIRECTORS AND OFFICERS

As of the date of this report the Company had the following directors and executive officers:

John Jeffrey	Chief Executive Officer and Director
Scott Sanborn	Chief Financial Officer
Justin Kaufmann	Chief Development Officer
Ivan Bergerman	Director
Jim Payne	Director
Christopher Ryan	Director
Grant MacKenzie	Director
Thomas Gutschlag	Director

ADVISORIES AND FORWARD-LOOKING INFORMATION

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information may include, but is not limited to, information which reflect management's expectations regarding the Company's future growth, the effects of the Company's acquisitions on the Company's strategy, land holdings and profitability, including the Viking Acquisition, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new reserves and the success of exploration activities) and opportunities. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) that there are no material delays in the optimization of operations at the properties; (ii) assumptions about operating costs and expenditures; (iii) assumptions about future production recovery and cash flows; (iv) that there is no unanticipated fluctuation in foreign exchange rates; (v) the realization of anticipated benefits of acquisitions, and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) the risk that additional financing will not be obtained as and when required; (ii) material increases in operating costs; (iii) adverse fluctuations in foreign exchange rates; and (iv) environmental risks and changes in environmental legislation.

This MD&A (See "Risks and Uncertainties") contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.