SATURN OIL & GAS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at ($000s)	March 31, 2023	December 31, 2022
ASSETS		
Cash	**25,068**	10,256
Accounts receivable	**80,880**	40,920
Deposits and prepaid expenses (note 7)	**45,789**	8,485
Financial derivatives (note 14)	**2,181**	1,974
Total current assets	**153,918**	61,635
Exploration and evaluation assets	**5,701**	5,633
Property, plant and equipment (note 4)	**1,204,798**	486,331
Right-of-use assets (note 5)	**9,146**	3,390
Deposit (note 7)	**-**	21,101
Deferred tax asset	**23,204**	4,217
Financial derivatives (note 14)	**912**	600
Total assets	**1,397,679**	582,907
LIABILITIES		
Accounts payable	**105,774**	56,533
Senior term loan (note 8)	**273,702**	119,934
Lease liabilities (note 6)	**3,407**	1,358
Financial derivatives (note 14)	**27,523**	46,372
Decommissioning obligations (note 7)	**10,312**	-
Total current liabilities	**420,718**	224,197
Senior term loan (note 8)	**325,644**	120,909
Promissory note	**831**	828
Convertible notes	**2,391**	2,361
Decommissioning obligations (note 7)	**88,823**	52,626
Lease liabilities (note 6)	**5,497**	1,805
Warrant liability	**-**	2,020
Financial derivatives (note 14)	**26,910**	39,645
Total liabilities	**870,814**	444,391
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**290,446**	122,017
Contributed surplus (note 9)	**15,610**	14,740
Warrants (note 9)	**30,142**	30,142
Retained earnings (deficit)	**190,667**	(28,383)
Total shareholders' equity	**526,865**	138,516
Total liabilities and shareholders' equity	**1,397,679**	582,907

Commitments (note 15)

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Three months ended March 31,	
($000s, except per share amounts)	**2023**	2022
REVENUE		
Petroleum and natural gas sales (note 10)	**131,407**	68,442
Processing income (note 10)	**1,961**	673
Royalties	**(14,947)**	(11,197)
	118,421	57,918
Realized loss on derivatives (note 14)	**(7,275)**	(20,622)
Unrealized gain (loss) on derivatives (note 14)	**32,484**	(103,796)
Other income (note 7)	**246**	2,170
	143,876	(64,330)
EXPENSES		
Operating	**35,678**	19,124
Transportation	**1,609**	367
General and administrative	**3,914**	1,495
Depletion depreciation and amortization (notes 4,5)	**25,801**	7,875
Share based payments (note 9)	**1,039**	187
Financing (note 11)	**19,400**	6,281
Foreign exchange loss	**98**	85
Debt extinguishment loss (note 8)	**8,265**	6,883
Gain on warrant liability	**(2,020)**	(1,472)
Transaction costs (note 3)	**3,748**	-
Gain on acquisitions (note 3)	**(185,290)**	(5,653)
	(87,758)	35,172
Income (loss) before income taxes	**231,634**	(99,502)
Deferred income tax expense (recovery)	**12,584**	(1,884)
Net income (loss) and comprehensive income (loss)	**219,050**	(97,618)
Net income (loss) per share (note 9)		
Basic	**2.52**	(3.63)
Diluted	**2.51**	(3.63)

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

($000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Retained earnings (deficit)	Total
Balance, December 31, 2021	25,165	45,609	12,922	14,361	(103,198)	(30,306)
Equity financings	6,871	20,613	-	-	-	20,613
Allocation to warrants	-	(7,200)	-	7,200	-	-
Cash share issue costs	-	(1,668)	-	-	-	(1,668)
Non-cash share issue costs	-	(1,352)	1,352	-	-	-
Share based payments	-	-	244	-	-	244
Broker option exercise	325	1,108	(1,326)	999	-	781
Net loss for the period	-	-	-	-	(97,618)	(97,618)
Balance, March 31, 2022	**32,361**	**57,110**	**13,192**	**22,560**	**(200,816)**	**(107,954)**
Balance, December 31, 2022	59,892	122,017	14,740	30,142	(28,383)	138,516
Equity financings (note 9)	78,648	174,486	-	-	-	174,486
Allocation to warrants (note 9)	-	-	-	-	-	-
Share issue costs, net of tax recovery (note 9)	-	(6,216)	-	-	-	(6,216)
Share based payments	-	-	1,060	-	-	1,060
Stock option exercise	86	159	(190)	-	-	(31)
Broker option exercise	8	-	-	-	-	-
Net income for the period	-	-	-	-	219,050	219,050
Balance, March 31, 2023	**138,634**	**290,446**	**15,610**	**30,142**	**190,667**	**526,865**

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS
(unaudited)

	Three months ended March 31,	
($000s)	**2023**	2022
OPERATING ACTIVITIES		
Net income (loss) for the period	**219,050**	(97,618)
Items not affecting cash:		
Depletion, depreciation and amortization (notes 4,5)	**25,801**	7,875
Share based payments (note 9)	**1,039**	187
Deferred income tax expense (recovery)	**12,584**	(1,884)
Unrealized (gain) loss on financial derivatives (note 14)	**(32,490)**	103,796
Gain on warrant liability	**(2,020)**	(1,472)
Unrealized foreign exchange (gain) loss	**(2)**	43
Gain on acquisition (note 3)	**(185,290)**	(5,653)
Loss on debt extinguishment (note 8)	**8,265**	6,883
Non-cash financing expenses (note 11)	**3,995**	3,474
Other income (note 7)	**(226)**	(2,159)
Decommissioning expenditures (note 7)	**(259)**	(386)
Change in non-cash working capital (note 12)	**(3,653)**	(2,744)
Cash flow from operating activities	**46,794**	10,342
FINANCING ACTIVITIES		
Proceeds from Senior Term Loan, net of discount (note 8)	**365,625**	36,718
Debt issue costs (note 8)	**(4,222)**	(286)
Repayment of Senior Term Loan (note 8)	**(12,286)**	(3,628)
Proceeds from share issuance (note 9)	**125,001**	20,613
Share issue costs (note 9)	**(8,288)**	(1,668)
Repayment of Term Notes	**-**	(32,081)
Proceeds from option exercise (note 9)	**36**	781
Lease payments (note 6)	**(770)**	(406)
Change in non-cash working capital (note 12)	**2,485**	(35)
Cash flows from financing activities	**467,581**	20,008
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired (note 3)	**(465,223)**	(7,583)
Property, plant and equipment (note 4)	**(24,211)**	(9,820)
Exploration and evaluation	**(72)**	(646)
Change in non-cash working capital (note 12)	**(10,057)**	3,518
Cash flows used in investing activities	**(499,563)**	(14,531)
Change in cash, during the period	**14,812**	15,819
Cash, beginning of period	**10,256**	2,415
Cash, end of period	**25,068**	18,234

Cash interest paid (note 11)

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Saturn Oil & Gas Inc. ("Saturn" or the "Company") is a Canadian resource company engaged in the business of acquiring, exploration and development of petroleum and natural gas resource deposits in Western Canada. The Company's current focus is to advance the exploration and development of its oil and gas properties in Alberta and Saskatchewan. The common shares and certain warrants of the Company are listed on the TSX Venture Exchange ("TSXV") and trade under the symbols "SOIL", "SOIL.WT", "SOIL.WT.A" and "SOIL.WT.B".

The Company's corporate headquarters are at 2800, 525 - 8th Ave SW, Calgary, Alberta, T2P 1G1, and its registered office is located at 230 – 22 Street East Suite 800, Saskatoon, SK S7K 0E9.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022. These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies as the Company's audited consolidated financial statements for the year ended December 31, 2022.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Company's Board of Directors on May 16, 2023.

Operating environment

The marketability and price of oil and natural gas that may be acquired or discovered by Saturn is and will continue to be affected by global events that may cause disruptions in the supply of oil and natural gas. Conflicts, or conversely peaceful developments, arising in Canada and abroad, including pandemics, shifts in social opinion, changes in political regimes or parties in power, may have a significant impact on the price of crude oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Saturn's net production revenue.

The level of public health, social, and geo-political risk escalates at certain points in time. While the specific impact on the global economy would depend on the nature of the event, in general, any major event could result in instability and volatility. Current areas of attention include: global uncertainty and market repercussions due to the spread of COVID-19; Russia's military invasion of Ukraine; and rising civil unrest and activism globally.

Basis of measurement, functional and presentation currency

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value through profit or loss.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Significant judgments, estimates, fair values and accounting policies

The preparation of the unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies impacting fair value and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments, estimates and assumptions made by management in these unaudited condensed consolidated interim financial statements are outlined in note 2 of the Company's December 31, 2022 annual consolidated financial statements. There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during the interim period ended March 31, 2023, relative to those described in the most recent annual consolidated financial statements as at and for the year ended December 31, 2022.

3. ACQUISITION

Ridgeback Resources acquisition

On February 28, 2023, the Company completed the corporate acquisition (the "Ridgeback Acquisition") of Ridgeback Resources Inc. ("Ridgeback") a privately held oil and gas producer focused on light oil in Saskatchewan and Alberta. The Ridgeback Acquisition was completed for total consideration of $524.5 million, comprised of $475 million in cash, and 19,406,167 common shares of the Company, based on a closing day price of $2.55 per common share. The cash portion of the purchase price was funded through the net proceeds of a $125 million bought deal equity financing and a $375 million expansion to the Company's Senior Term Loan. There were $3.7 million of transaction costs incurred by the Company and expensed through earnings.

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

($000s)	**February 28, 2023**
Fair value of net assets acquired:	
Cash	9,777
Net working capital deficit	(4,243)
Property, plant and equipment	718,829
Right-of-use asset	4,464
Deferred income tax asset	29,499
Net financial derivatives	(380)
Lease liability	(4,464)
Decommissioning obligations	(43,706)
Gain on acquisition	(185,290)
Total	**524,486**
Consideration:	
Cash	475,000
Common shares	49,486
Total	**524,486**

Results from operations for Ridgeback are included in the Company's consolidated financial statements from the closing date of the transaction on a prospective basis. The estimated acquisition date fair value attributed to PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared by independent third-party reserve evaluators and internally updated to reflect activity up to February 28, 2023. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid, as well as market metrics in the prevailing area at that time. The fair value of decommissioning obligations was estimated using a credit adjusted risk free rate of 14.5%.

Petroleum and natural gas sales of $36.1 million and net income of $8.8 million are included in the statement of income (loss) and comprehensive income (loss) for the Ridgeback Acquisition since the closing date of February 28, 2023.

Had the Ridgeback Acquisition had occurred on January 1, 2023, the incremental petroleum and natural gas sales and net income for the period ended March 31, 2023, and the pro forma results would have been as follows:

($000s)	**As stated**	**Acquisition prior to close date**	*(Unaudited)* **Pro Forma**
Petroleum and natural gas sales	131,407	72,704	204,111
Net income	219,050	20,613	239,663

4. PROPERTY, PLANT AND EQUIPMENT

Cost ($000s)	**Oil and gas properties**	**Other assets**	**Total**
As at December 31, 2021	191,447	342	191,789
Additions	86,615	797	87,412
Acquisition	276,195	-	276,195
Change in decommissioning obligations	4,218	-	4,218
As at December 31, 2022	558,475	1,139	559,614
Additions	**24,076**	**157**	**24,233**
Acquisition (note 3)	**718,829**	**-**	**718,829**
Change in decommissioning obligations	**680**	**-**	**680**
As at March 31, 2023	**1,302,060**	**1,296**	**1,303,356**
Accumulated depletion, depreciation and amortization			
As at December 31, 2021	28,715	165	28,880
Depletion, depreciation and amortization	44,080	323	44,403
As at December 31, 2022	72,795	488	73,283
Depletion, depreciation and amortization	**25,164**	**111**	**25,275**
As at March 31, 2023	**97,959**	**599**	**98,558**
Net book value			
As at December 31, 2022	485,680	651	486,331
As at March 31, 2023	**1,204,101**	**697**	**1,204,798**

As at March 31, 2023, the calculation of depletion includes estimated forecasted future development costs relating to the development of proved and probable oil and gas reserves of $1,256.7 million (December 31, 2022 - $473.8 million). The Company capitalized $1.7 million of general and administrative costs for the period ended March 31, 2023 (December 31, 2022 – $2.2 million) and capitalized $0.1 million of share-based compensation expense for the period ended March 31, 2023 (December 31, 2022 – $0.2 million).

At March 31, 2023 and December 31 2022, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

5. RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities and vehicles. See note 6 for additional information regarding the Company's leases.

Cost ($000s)	**Offices**	**Vehicles**	**Total**
As at December 31, 2021	3,354	1,349	4,703
Additions	290	246	536
As at December 31, 2022	3,644	1,595	5,239
Additions	**1,573**	**245**	**1,818**
Acquired (note 3)	**3,308**	**1,156**	**4,464**
As at March 31, 2023	**8,525**	**2,996**	**11,521**

Accumulated depreciation	**Offices**	**Vehicles**	**Total**
As at December 31, 2021	691	236	927
Depreciation	584	338	922
As at December 31, 2022	1,275	574	1,849
Depreciation	**293**	**233**	**526**
As at March 31, 2023	**1,568**	**807**	**2,375**
Net book value			
As at December 31, 2022	2,369	1,021	3,390
As at March 31, 2023	**6,957**	**2,189**	**9,146**

6. LEASES

The following table reconciles the changes in the lease liability for the periods:

($000s)	**March 31, 2023**	December 31, 2022
Balance, beginning of period	**3,163**	3,747
Acquired (note 3)	**4,464**	-
Additions	**1,818**	536
Lease payment	**(770)**	(1,654)
Interest expense	**229**	534
Carrying value, end of period	**8,904**	3,163
Current	**3,407**	1,358
Long-term	**5,497**	1,805

As at March 31, 2023, the estimated undiscounted cash flows required to settle the Company's lease liability was $11.2 million (December 31, 2022 - $6.5 million).

7. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation represents costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that the total undiscounted cash flows required to settle the obligations will be $409.8 million (December 31, 2022 - $239.8 million) which has been inflated at 2.0% (December 31, 2022 – 2.0%) and discounted using the credit adjusted risk-free rate of 14.5% (December 31, 2022 – 14.5%) with an estimated timeline to abandoned between 1 and 55 years.

($000s)	**March 31, 2023**	December 31, 2022
Balance, beginning of period	**52,626**	47,296
Acquired (note 3)	**43,706**	7,966
Obligations incurred (note 4)	**12**	569
Change in estimates (note 4)	**668**	3,649
ASCP settlements	**(226)**	(13,639)
Cash settlements	**(259)**	(582)
Accretion	**2,608**	7,367
Balance, end of period	**99,135**	52,626
Current	**10,312**	-
Long-term	**88,823**	52,626

On January 1, 2023, the new Inactive Liability Reduction Program came into effect in Saskatchewan which mandates minimum spend targets on the Company's decommissioning obligations. These amounts have been moved to current decommissioning obligations, net of current year spend. The Alberta assets acquired as part of the Ridgeback Acquisition are subject to a similar program.

During the period ended March 31, 2023, $0.2 million (December 31, 2022 - $13.6 million) was granted to Saturn from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP") and has been recorded as other income in the statement of income.

As at March 31, 2023, the Company had a $21.1 million cash deposit with the Saskatchewan Ministry of Energy and Resources ("SMER") related to the Saskatchewan Oil and Gas Orphan Fund in connection to the provinces License Liability Rating Program.

8. SENIOR TERM LOAN

On February 28, 2023, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $375.0 million to an aggregate principal amount of $608.2 million at an original issue discount of 2.5%. The loan will amortize over three years with the scheduled repayment dates as follows: February 28, 2023 to April 30, 2023 of $nil, May 1, 2023 to April 30, 2024 of $25.4 million per month, May 1, 2024 to April 30, 2025 of $15.2 million per month and May 1, 2025 to February 28, 2026 of $10.2 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 at 11.5% per annum plus the applicable periodic Canadian dollar bankers' acceptance rate at a minimum rate of 1%. The amended Senior Term Loan has a stated maturity date of February 28, 2026.

Principal ($000s)	**March 31, 2023**	December 31, 2022
Balance, beginning of year	**245,479**	68,860
Additions	**375,000**	238,000
Repayments	**(12,286)**	(61,381)
Balance, end of period	**608,193**	245,479
Debt issue costs and discount		
Balance, beginning of year	**(4,636)**	(3,805)
Additions, original issue discount	**(9,375)**	(8,032)
Additions, debt issue costs	**(4,222)**	(1,080)
Acceleration on extinguishment	**8,265**	4,284
Amortization	**1,121**	3,997
Balance, end of period	**(8,847)**	(4,636)
Carrying value	**599,346**	240,843
Current	**273,702**	119,934
Long-term	**325,644**	120,909

Covenants

The Senior Term Loan is subject to various covenants on the part of the Company including limitations on certain types of activities, restrictions or requirements with respect to additional debt, liquidity, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. As at March 31, 2023, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The first test period for the First Lien Net Leverage Ratio is scheduled for June 30, 2023. The following table summarizes the key financial covenants set forth in the credit agreement:

Covenant description	**Covenant Ratio**	**March 31, 2023**
PDP Asset Coverage Ratio Minimum(1)	1.75	2.02
Current Ratio Minimum(2)	1.00	1.31
First Lien Net Leverage Ratio Maximum(3)	1.75	N/A

(1) The ratio of (a) the PV10 of Saturn's proved developed producing ("PDP") reserves and the SMER cash 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 adjusted EBITDA (note 13).

Loss on debt extinguishment

On February 28, 2023, the Company expanded its Senior Term Loan by $375.0 million in relation to the Ridgeback Acquisition. Accordingly, the pre-existing unamortized original issue discount and new debt issue costs were expensed in the period.

The following tables reconciles the loss on debt extinguishment:

($000s)	**Amount**
Senior Term Loan principal outstanding (pre-expansion)	233,194
Senior Term Loan unamortized debt issue costs	(4,043)
Senior Term Loan carrying value	229,151
Senior Term Loan extinguished	(233,194)
New debt issue costs	(4,222)
Loss on debt extinguishment	**(8,265)**
Comprised of:	
Senior Term Loan unamortized debt issue costs, non-cash	(4,043)
New debt issue costs	(4,222)
Loss on debt extinguishment	**(8,265)**

Unsecured Letter of Credit Facility

The Company has a new $30 million unsecured demand letter of credit facility (the “LC Facility”) with a syndicate of Canadian banks. Saturn’s obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is subject to annual renewal with the next scheduled renewal date of February 29, 2024. At March 31, 2023, $8.6 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $nil).

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued and outstanding

		March 31, 2023		December 31, 2022
(000s)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**59,892**	**122,017**	25,165	45,609
Common shares issued for cash proceeds	**59,242**	**125,001**	34,199	95,763
Common shares issued as consideration	**19,406**	**49,486**	-	-
Cash share issue costs, net of tax recovery	**-**	**(6,216)**	-	(3,638)
Non-cash share issue costs	**-**	**-**	-	(2,890)
Stock option exercise	**86**	**123**	150	502
Restricted share unit exercise	**8**	**35**	-	-
Broker option exercise	**-**	**-**	378	1,350
Allocation to warrants	**-**	**-**	-	(14,679)
Balance, end of period	**138,634**	**290,446**	59,892	122,017

On February 28, 2023, the Company completed a bought-deal equity financing issuing 59,242,000 common shares at a price of $2.11 per common share for gross proceeds of $125.0 million and incurred associated share issue costs of $8.3 million.

As partial consideration for the Ridgeback Acquisition (note 3), the Company issued 19,406,167 common shares to the previous shareholders of Ridgeback.

Warrants

(000s, except per warrant price)	**March 31, 2023** **Warrants**	**Weighted average exercise price**	December 31, 2022 Warrants	Weighted average exercise price
Balance, beginning of period	**36,520**	**3.35**	15,607	3.20
Expired	**(2,190)**	**3.20**	-	-
Issued	**-**	**-**	20,913	3.46
Balance, end of period	**34,330**	**3.36**	36,520	3.35

The Company has both non-listed restricted warrants and listed unrestricted warrants that trade on the TSXV. As at March 31, 2023, the following share purchase warrants are outstanding and exercisable.

(000s, except per warrant price) **Expiry date**	**Type**	**Exercise price**	**Warrants outstanding and exercisable**	**Exercise ratio**	**Shares issuable upon exercise**
June 4, 2023[1]	SOIL.WT	0.16	268,333	20:1	13,417
June 4, 2023[2]	Restricted	0.16	7,571	20:1	379
June 7, 2023	SOIL.WT.B	3.20	13,664	1:1	13,664
March 10, 2025	SOIL.WT.A	4.00	6,870	1:1	6,870
					34,330

(1) 268,333,333 non-consolidated warrants outstanding, exercisable on a twenty warrant per exercise basis at $0.16 per warrant.

(2) 7,571,040 non-consolidated warrants outstanding, exercisable on a twenty warrant per exercise basis at $0.16 per warrant.

Broker options

(000s, except per broker option price)	**March 31, 2023** **Broker options**	**Weighted average exercise price**	December 31, 2022 Broker options	Weighted average exercise price
Balance, beginning of period	**2,532**	**2.71**	891	2.40
Issued	**-**	**-**	2,019	2.80
Exercised	**-**	**-**	(378)	2.40
Balance, end of period	**2,532**	**2.71**	2,532	2.71

As at March 31, 2023, the Company had the following broker options outstanding and exercisable:

(000s, except per broker option price) **Expiry date**	**Exercise price**	**Broker options outstanding and exercisable**
June 4, 2023[1]	2.40	513
July 7, 2023[2]	2.75	1,620
March 10, 2024[3]	3.00	399
		2,532

(1) 512,904 broker options outstanding, each exercisable at $2.40 into one common share and 20 warrants. Warrants exercisable on a 20:1 per exercise basis at $0.16 per warrant expiring June 4, 2023.

(2) 1,619,962 broker options outstanding, each exercisable at $2.75 into one common share and one-half of one warrant. Each whole warrant exercisable on a 1:1 per exercise basis at $3.20 per warrant expiring July 7, 2024.

(3) 399,165 broker options outstanding, each exercisable at $3.00 into one common share and one warrant. Warrants exercisable on a 1:1 per exercise basis at $4.00 per warrant expiring March 10, 2025.

Stock options

The Company has an 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 generally granted for maximum term of 5 years, and vest in thirds on each of the first, second and third anniversary after the grant date. Vesting conditions are determined by the Board of Directors. A summary of the changes in stock options outstanding is as follows:

(000s, except per option price)	**Stock options**	**March 31, 2023 Weighted average exercise price**	Stock options	December 31, 2022 Weighted average exercise price
Balance, beginning of period	**1,687**	**2.52**	1,982	2.49
Exercised	**(280)**	**0.19**	(150)	1.80
Expired	**(50)**	**3.10**	-	-
Forfeited/cancelled	**(13)**	**2.76**	(145)	2.81
Balance, end of period	**1,344**	**2.69**	1,687	2.52

As at March 31, 2023, the following stock options were exercisable and outstanding:

	Stock options outstanding			**Stock options exercisable**		
(000s, except per option price)	**Number outstanding**	**Weighted average exercise price**	**Weighted average life remaining (years)**	**Number exercisable**	**Weighted average exercise price**	**Weighted average life remaining (years)**
2.00 - 2.40	811	2.31	2.9	604	2.28	2.7
2.41 – 3.00	383	2.96	2.3	272	2.98	1.9
3.01 - 4.00	150	4.00	0.5	150	4.00	0.5
	1,344	2.69	2.4	1,026	2.74	2.1

During the period ended March 31, 2023, the Company expensed $0.1 million (December 31, 2022 - $0.6 million) and capitalized $0.1 million (December 31, 2022 - $0.2 million) related to share-based compensation.

Restricted Share Units

The Company has an 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 may be settled through the issuance of new common shares upon vesting or cash as determined by the Board of Directors. RSUs vest in three equal tranches with 1/3 on each of the first, second and third anniversary after the grant date. A summary of the changes in RSU's outstanding is as follows:

(000s, except life remaining)	**RSUs**	**March 31, 2023 Weighted average exercise price**	RSUs	December 31, 2022 Weighted average exercise price
Balance, beginning of period	**45**	**-**	-	-
Exercised	**(15)**	**-**	-	-
Granted	**-**	**-**	63	-
Forfeited/Cancelled	**-**	**-**	(18)	-
Balance, end of period	**30**	**-**	45	-
Weighted average life remaining (years)	**1.8**		2.1	

Performance warrants

The Company has issued performance warrants to certain officers and directors enabling them to acquire common shares of the Company upon exercise. The performance warrants will vest upon certain vesting threshold conditions, based on the 5-day volume weighted average trading price ("VWAP") of the Company's common shares listed on the TSXV. Once vested, the performance warrants may be exercised by the holder at any time from the date of vesting to the expiry date. A summary of the changes in performance warrants outstanding is as follows:

(000s, except per performance warrant price)	**Performance warrants**	**March 31, 2023 Weighted average exercise price**	Performance warrants	December 31, 2022 Weighted average exercise price
Balance, beginning of period	**-**	**-**	-	-
Issued	**7,000**	**2.50**	-	-
Balance, end of period	**7,000**	**2.50**	-	-

As at March 31, 2023, the following performance warrants were outstanding:

(000s, except per performance warrant price, years and VWAP)	**Performance warrants outstanding**			**Performance warrants exercisable**		
Exercise Price	**Number outstanding**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**	**Number exercisable**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**
2.50	2,333	4.00	7.0	-	-	-
2.50	2,333	6.00	7.0	-	-	-
2.50	2,334	8.00	7.0	-	-	-
	7,000		7.0	-	-	-

The fair value of performance warrants granted was estimated using a Monte Carlo simulation with the following assumptions:

	Vesting thresholds		
	$4.00	**$6.00**	**$8.00**
Total life (years)	7.0	7.0	7.0
Expected life (years)	1.5	2.5	3.0
Risk-free interest rate (%)	3.16	3.16	3.16
Expected volatility	60%	60%	60%
Vesting threshold VWAP	5-day	5-day	5-day
Forfeiture rate (%)	-	-	-
Dividend yield (%)	-	-	-

Per share amounts

Basic net income (loss) per share is calculated using the weighted-average number of common shares outstanding during the reporting period. Diluted net income per share is calculated using the weighted-average number of common shares outstanding adjusted for the dilutive effect of all potentially dilutive securities, including stock options, broker options, warrants, RSUs/DSUs, and convertible notes. Where applicable, diluted net loss per share is equal to basic net loss per share as the effect of all potential dilutive securities are anti-dilutive. The components of basic and diluted net income (loss) per share are as follows:

	Three months ended March 31,	
(000s, except per share amounts)	**2023**	2022
Weighted average shares outstanding		
Basic	**86,995**	26,895
Diluted	**87,217**	26,895
Per share income (loss)		
Basic	**2.52**	(3.63)
Diluted	**2.51**	(3.63)

10. REVENUE

($000s)	For the period ended March 31, 2023	2022
Crude oil	**123,857**	67,032
NGLs	**4,088**	977
Natural gas	**3,462**	433
Petroleum and natural gas sales	**131,407**	68,442
Processing income	**1,961**	673
	133,368	69,115

Petroleum and natural gas sales represent the proceeds received from the sale of oil, natural gas, and NGLs production under variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location, processing charges or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenue is typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

Included in accounts receivable as at March 31, 2023 is $67.8 million (December 31, 2022 – $36.3 million) of accrued petroleum and natural gas sales related to March 31, 2023 production.

Saturn generates oil treating, gas processing, and other services revenue from fees charged to third parties provided at facilities where Saturn has an ownership interest. This revenue is recorded as processing income.

11. FINANCING

($000s)	Three months ended March 31, 2023	2022
Interest expense	**15,928**	2,807
Interest revenue	**(523)**	-
Amortization of original issue discount and debt issue costs	**1,121**	962
Accretion, debt instruments	**37**	624
Accretion, leases (note 6)	**229**	145
Accretion, decommissioning obligations (note 7)	**2,608**	1,743
Financing expenses	**19,400**	6,281

12. SUPPLEMENTAL CASH FLOW INFORMATION

($000s)	Three months ended March 31, 2023	2022
Change in non-cash working capital:		
Accounts receivable	**(39,960)**	(10,807)
Deposits and prepaid expenses	**(16,263)**	(1,240)
Accounts payable	**49,241**	12,786
Non-cash working capital deficit acquired (note 3)	**(4,243)**	-
	(11,225)	739
Related to:		
Operating activities	**(3,653)**	(2,744)
Financing activities	**2,485**	(35)
Investing activities	**(10,057)**	3,518
Total change in non-cash working capital	**(11,225)**	739

13. CAPITAL MANAGEMENT

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it may provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise. The Company's capital structure may be adjusted by issuing or repurchasing shares, issuing or repurchasing debt, modifying capital spending programs and disposing of assets; the availability of any such means being dependent upon market conditions. Management reviews its approach to capital management on an ongoing basis and believes that this approach is appropriate. There were no changes in the Company's approach to capital management during the period ended March 31, 2023.

Adjusted funds flow

The Company considers adjusted funds flow to be a key capital management measure as it demonstrates Saturn's ability to generate the necessary funds to manage production levels and fund future growth through capital investment. Management believes that this measure provides an insightful assessment of Saturn's operations on a continuing basis by eliminating certain non-cash charges, actual settlements of decommissioning obligations, of which the nature and timing of expenditures may vary based on the stage of the Company's assets and operating areas, and transaction costs which vary based on the Company's acquisition and disposition activity. Adjusted funds flow is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. The Company's adjusted funds flow is calculated as follows.

	Three months ended March 31,	
($000s)	**2023**	2022
Cash flow from operating activities	**46,794**	10,342
Change in non-cash working capital	**3,653**	2,744
Decommissioning expenditures	**259**	386
Transaction costs	**3,748**	-
Adjusted funds flow	**54,454**	13,472

Net debt and market capitalization

Management considers net debt a key capital management measure in assessing the Company's liquidity. Total market capitalization and net debt to annualized quarterly adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity. The summary of total market capitalization, net debt, annualized quarterly adjusted funds flow and net debt to annualized quarterly adjusted funds flow is as follows:

($000s, except share price)	**March 31, 2023**	December 31, 2022
Total common shares outstanding (000s)	**138,634**	59,892
Share price[(1)]	**2.51**	2.35
Total market capitalization	**347,971**	140,746
Cash	**(25,068)**	(10,256)
Accounts receivable	**(80,880)**	(40,920)
Deposits and prepaid expenses	**(45,789)**	(8,485)
Accounts payable	**105,774**	56,533
Long-term deposit	**-**	(21,101)
Senior Term Loan	**599,346**	240,843
Promissory notes	**831**	828
Convertible notes	**2,391**	2,361
Net debt	**556,605**	219,803
Annualized quarterly adjusted funds flow	**217,816**	202,916
Net debt to annualized quarterly adjusted funds flow	**2.6x**	1.1x

(1) Represents the closing share price on the TSXV on the last day of trading of the period.

Adjusted EBITDA

The Company considers Adjusted EBITDA to be a key capital management measure as it is both used within certain financial covenants prescribed under the Company's Senior Term Loan (note 8) and demonstrates Saturn's standalone profitability, operating and financial performance in terms of cash flow generation, adjusting for interest related to its capital structure. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization and other non-cash items and is calculated as adjusted funds flow before cash interest expense. Adjusted EBITDA is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. The Company's Adjusted EBITDA is calculated as follows.

	Three months ended March 31,	
($000s)	**2023**	2022
Adjusted funds flow	**54,454**	13,472
Interest expense	**15,928**	2,807
Adjusted EBITDA	**70,382**	16,279

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Financial derivatives

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 (loss) before tax. A ten percent increase or decrease in commodity prices would have resulted in a $124.6 million change to unrealized gains (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 March 31, 2023:

	WTI Collars				WTI Swaps				WTI/MSW Differential			
Period	Volume bbls/d	Price(1) US/bbl	Volume bbls/d	Price(1) CA/bbl	Volume bbls/d	Price(1) US/bbl	Volume bbls/d	Price(1) CA/bbl	Volume bbls/d	Price(1) US/bbl	Volume bbls/d	Price(1) CA/bbl
Q2 2023	2,319	50.79-60.82	4,000	96.50-105.71	4,078	72.76	3,574	103.54	4,455	(5.70)	9,473	(3.61)
Q3 2023	2,239	50.72-60.58	3,000	96.67-106.44	3,854	72.20	3,866	103.16	4,317	(5.70)	8,642	(4.07)
Q4 2023	2,168	50.66-60.39	3,000	96.67-106.44	3,665	71.73	3,346	102.78	4,192	(5.70)	7,987	(5.07)
Q1 2024	2,103	50.63-56.49	-	-	3,490	65.31	5,989	100.50	-	-	11,583	(5.46)
Q2 2024	2,044	50.61-56.46	-	-	3,332	65.01	5,643	100.52	-	-	11,020	(6.25)
Q3 2024	1,992	50.63-56.49	-	-	3,173	64.67	5,366	96.40	-	-	7,142	(6.25)
Q4 2024	1,923	50.56-56.32	-	-	3,054	64.50	5,118	96.41	-	-	-	-
Q1 2025	1,818	50.38-54.60	-	-	2,978	60.50	4,906	91.80	-	-	-	-
Q2 2025	1,771	55.14-59.00	-	-	2,871	63.22	4,680	91.80	-	-	-	-
Q3 2025	1,729	65.00-68.10	-	-	2,753	69.05	4,483	88.72	-	-	-	-
Q4 2025	1,684	65.00-68.10	-	-	2,637	68.99	4,304	88.72	-	-	-	-
Q1 2026	1,080	65.00-68.10	-	-	3,077	67.21	4,156	85.22	-	-	-	-
Q2 2026	-	-	-	-	4,028	67.30	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.

Financial derivative assets and liabilities are only offset if the Company has the legal right to offset and intends to settle on a net basis. The Company offsets financial instrument assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivative commodity contracts that are offset on the statements of financial position as at March 31, 2023:

($000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	26,063	(23,882)	2,181
Long term asset	29,007	(28,095)	912
Current liability	(51,405)	23,882	(27,523)
Long term liability	(55,005)	28,095	(26,910)
Net liability position	**(51,340)**	**-**	**(51,340)**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company actively manages its liquidity risk through strategies such as prudent capital spending, an active commodity risk management program 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. The Company has the following maturities of financial liabilities at March 31, 2023:

($000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	278,979	329,215	-	-	608,194
Interest payments(1)	88,817	58,881	-	-	147,698
Promissory notes	-	879	-	-	879
Convertible notes	-	2,743	-	-	2,743
Lease liabilities(2)	4,493	5,150	718	792	11,153
Gas processing contracts	4,500	6,550	1,886	6,443	19,379
Accounts payable	105,774	-	-	-	105,774
	482,563	403,418	2,604	7,235	895,820

(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.

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 that 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 $5.4 million change to net income (loss) before tax (December 31, 2022 – $8.9 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 financial derivatives.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate from changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates 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 $0.9 million during the period ended March 31, 2023 (December 31, 2022 – $2.1 million) assuming all other variables remain constant.

Price risk

The Company is exposed to price risk related to commodity and equity prices. Equity price risk is 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 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 are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

Net Debt and capital structure

Management considers net debt a key measure in assessing the company's liquidity. The Company's net debt and capital structure is as follows:

($000s)	**March 31, 2023**	December 31, 2022
Net debt	**556,605**	219,803
Shareholders' equity	**526,865**	138,516
Total capitalization	**1,083,470**	358,319

The Company manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions, acquisitions or divestitures and the risk characteristics of the Company's underlying assets and operations. The capital structure may be adjusted by issuing or repurchasing shares, issuing or repurchasing debt, modifying capital spending programs and acquisition or disposal of assets, the availability of any such means being dependent upon market conditions.

15. COMMITMENTS

The Company has the following contractual obligations and commitments as at March 31, 2023:

($000s)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Senior Term Loan	278,979	329,215	-	-	608,194
Interest payments[1]	88,817	58,881	-	-	147,698
Promissory notes	-	879	-	-	879
Convertible notes	-	2,743	-	-	2,743
Lease liabilities[2]	4,493	5,150	718	792	11,153
Gas processing contracts	4,500	6,550	1,886	6,443	19,379
	376,789	403,418	2,604	7,235	790,046

(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.