KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Saturn Oil & Gas Inc.

Opinion

We have audited the consolidated financial statements of Saturn Oil & Gas Inc. (the Company), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of income (loss) and other comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Assessment of the impact of estimated proved and probable oil and gas reserves on the estimated acquisition-date fair values of oil and gas properties acquired in the Plato and Viking acquisitions in West Central Saskatchewan

Description of the matter

We draw attention to note 2, note 3, note 4, note 5 and note 7 to the financial statements. On February 28, 2022 and July 6, 2022 (the "acquisition-date"), the Company acquired certain oil and gas properties in the Plato and Viking acquisitions in West Central Saskatchewan (the "Plato and Viking Acquired Properties"). The estimated acquisition-date fair values of the Plato and Viking Acquired Properties were $15.8 million and $260.5 million, respectively. The determination of the estimated acquisition-date fair values of the Plato and Viking Acquired Properties involves significant estimates, including various categories of proved and probable oil and gas reserves (the "proved and probable oil and gas reserves") and the discount rates.

The estimate of proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engaged independent third-party reserve evaluators to estimate proved and probable oil and gas reserves at December 31, 2022. The Company's internal reserve evaluators estimated proved and probable oil and gas reserves for the Plato and Viking Acquired Properties at each acquisition-date.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on the estimated acquisition-date fair values of the Plato and Viking Acquired Properties as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the discount rates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

With respect to the estimate of proved and probable oil and gas reserves associated with each of the Plato and Viking Acquired Properties at each acquisition-date:

- We evaluated the competence, capabilities and objectivity of the third-party reserve evaluators engaged by the Company

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of the proved and probable oil and gas reserves at each acquisition-date by comparing them to the corresponding proved and probable oil and gas reserves estimated by the independent third-party reserve evaluators as at December 31, 2022. We took into account changes in conditions and events affecting the Plato and Viking Acquired Properties to assess the adjustments or lack of adjustments made by the Company between each acquisition-date and December 31, 2022.

With respect to the estimate of proved and probable oil and gas reserves associated with each of the Plato and Viking Acquired Properties as at December 31, 2022:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company
- We compared the forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development costs by comparing to 2022 actual results. We took into account changes in conditions and events affecting each of the Plato and Viking Acquired Properties to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in

- Evaluating the appropriateness of the Company's discount rates of the estimated acquisition-date fair value of each of the Plato and Viking Acquired Properties by comparing the discount rates to market metrics and other external data
- Assessing the reasonableness of the Company's estimated acquisition-date fair values of each of the Plato and Viking Acquired Properties by comparing the Company's estimate to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Timothy Arthur Richards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 28, 2023

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at ($000s)	**December 31, 2022**	December 31, 2021
ASSETS		
Cash	**10,256**	2,415
Accounts receivable	**40,920**	20,039
Deposits and prepaid expenses	**8,485**	6,461
Financial derivatives (note 22)	**1,974**	-
Total current assets	**61,635**	28,915
Exploration and evaluation assets (note 6)	**5,633**	4,485
Property, plant and equipment (note 7)	**486,331**	162,909
Right-of-use assets (note 8)	**3,390**	3,776
Deposit (note 11)	**21,101**	21,021
Deferred tax asset (note 17)	**4,217**	-
Financial derivatives (note 22)	**600**	-
Total assets	**582,907**	221,106
LIABILITIES		
Accounts payable	**56,533**	28,850
Senior term loan (note 12)	**119,934**	33,582
Lease liabilities (note 9)	**1,358**	933
Financial derivatives (note 22)	**46,372**	31,719
Total current liabilities	**224,197**	95,084
Senior term loan (note 12)	**120,909**	31,473
Term notes (note 13)	**-**	24,104
Promissory note (note 14)	**828**	784
Convertible notes (note 15)	**2,361**	2,197
Decommissioning obligations (note 11)	**52,626**	47,296
Lease liabilities (note 9)	**1,805**	2,814
Warrant liability (note 10)	**2,020**	4,856
Financial derivatives (note 22)	**39,645**	42,804
Total liabilities	**444,391**	251,412
SHAREHOLDERS' EQUITY		
Share capital (note 16)	**122,017**	45,609
Contributed surplus (note 16)	**14,740**	12,922
Warrants (note 16)	**30,142**	14,361
Deficit	**(28,383)**	(103,198)
Total shareholders' equity (deficit)	**138,516**	(30,306)
Total liabilities and shareholders' equity	**582,907**	221,106

Commitments (note 23)
Subsequent events (note 25)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors:

(signed) *"Thomas Gutschlag"*
Thomas Gutschlag
Director

(signed) *"Ivan Bergerman"*
Ivan Bergerman
Director

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,	
($000s, except per share amounts)	**2022**	2021
REVENUE		
Petroleum and natural gas sales (note 18)	**367,957**	114,723
Processing income (note 18)	**3,175**	1,491
Royalties	**(47,640)**	(18,050)
	323,492	98,164
Realized loss on derivatives (note 22)	**(78,349)**	(16,038)
Unrealized loss on derivatives (note 22)	**(8,920)**	(74,570)
Other income (note 11)	**14,167**	256
	250,390	(7,812)
EXPENSES		
Operating	**89,554**	42,392
Transportation	**2,139**	1,107
General and administrative	**7,980**	3,802
Depletion depreciation and amortization (notes 6,7,8)	**46,035**	16,226
Share based payments (note 16)	**537**	452
Financing (note 19)	**41,414**	17,977
Foreign exchange gain	**(1,166)**	(220)
Debt extinguishment (gain) loss (note 10,12,13)	**11,458**	(1,032)
Unrealized (gain) loss on warrant liability (note 10)	**(2,836)**	87
Transaction costs	**1,226**	2,469
Gain on acquisitions (note 5)	**(14,900)**	(7,790)
	181,441	75,470
Income (loss) before income taxes	**68,949**	(67,658)
Deferred income tax recovery (note 17)	**(5,866)**	(2,597)
Net income (loss) and comprehensive income (loss)	**74,815**	(65,061)
Net income (loss) per share (note 16)		
Basic	**1.68**	(3.36)
Diluted	**1.66**	(3.36)

See accompanying notes to the consolidated financial statements

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2020	11,728	33,027	8,716	-	(38,137)	3,606
Private placement (note 16)	13,417	32,200	-	-	-	32,200
Allocation to warrants (note 16)	-	(14,361)	-	14,361	-	-
Cash share issue costs (note 16)	-	(2,325)	-	-	-	(2,325)
Non-cash share issue costs (note 16)	-	(3,022)	3,633	-	-	611
Share based payments	-	-	613	-	-	613
Option exercise	20	90	(40)			50
Net loss for the year	-	-	-	-	(65,061)	(65,061)
Balance, December 31, 2021	**25,165**	**45,609**	**12,922**	**14,361**	**(103,198)**	**(30,306)**
Balance, December 31, 2021	25,165	45,609	12,922	14,361	(103,198)	(30,306)
Equity financings (note 16)	34,199	95,763	-	-	-	95,763
Allocation to warrants (note 16)	-	(14,679)	-	14,679	-	-
Cash share issue costs (note 16)	-	(6,949)	-	-	-	(6,949)
Non-cash share issue costs (note 16)	-	421	2,890	-	-	3,311
Share based payments	-	-	703	-	-	703
Stock option exercise	150	502	(449)	-	-	53
Broker option exercise	378	1,350	(1,326)	1,102	-	1,126
Net income for the year	-	-	-	-	74,815	74,815
Balance, December 31, 2022	**59,892**	**122,017**	**14,740**	**30,142**	**(28,383)**	**138,516**

See accompanying notes to the consolidated financial statements

SATURN OIL & GAS INC.
CONSOLIDATED STATEMENTS OF CASHFLOWS

	Year ended December 31,	
($000s)	**2022**	2021
OPERATING ACTIVITIES		
Net income (loss) for the year	**74,815**	(65,061)
Items not affecting cash:		
Depletion, depreciation and amortization (notes 6,7,8)	**46,035**	16,226
Share based payments (note 16)	**537**	452
Deferred income tax recovery (note 17)	**(5,866)**	(2,597)
Unrealized loss on financial derivatives (note 22)	**8,920**	74,570
Unrealized (gain) loss on warrant liability (note 10)	**(2,836)**	87
Unrealized foreign exchange loss	**42**	21
Gain on acquisition (note 5)	**(14,900)**	(7,790)
(Gain) loss on debt extinguishment (note 12)	**11,458**	(1,032)
Non-cash financing expenses (note 19)	**12,866**	10,259
Non-cash transaction costs (note 16)	**-**	611
Other income (note 11)	**(13,639)**	(256)
Decommissioning expenditures (note 11)	**(582)**	(53)
Change in non-cash working capital (note 20)	**(14,536)**	(26,722)
Cash flow from (used in) operating activities	**102,314**	(1,285)
FINANCING ACTIVITIES		
Proceeds from Senior Term Loan, net of discount (note 12)	**229,968**	84,064
Debt issue costs (note 12)	**(1,080)**	(4,105)
Repayment of Senior Term Loan (note 12)	**(61,381)**	(18,140)
Proceeds from share issuance (note 16)	**95,763**	32,200
Share issue costs (note 16)	**(6,949)**	(2,325)
Repayment of Term Notes (note 13)	**(32,081)**	(784)
Proceeds from option exercise (note 16)	**1,179**	50
Lease payments (note 9)	**(1,654)**	(964)
Change in non-cash working capital (note 20)	**-**	991
Cash flows from financing activities	**223,765**	90,987
INVESTING ACTIVITIES		
Property acquisitions (note 5)	**(248,367)**	(82,297)
Property, plant and equipment (note 7)	**(87,247)**	(8,694)
Exploration and evaluation (note 6)	**(1,858)**	-
Change in non-cash working capital (note 20)	**19,234**	3,135
Cash flows used in investing activities	**(318,238)**	(87,856)
Change in cash, during the year	**7,841**	1,846
Cash, beginning of year	**2,415**	569
Cash, end of year	**10,256**	2,415

Cash interest paid (note 19)

See accompanying notes to the consolidated 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 Canada. The Company's current focus is to advance the exploration 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

a) Statement of compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board as at and for the year ended December 31, 2022, including 2021 comparative periods.

These consolidated financial statements were approved by the Board of Directors on March 28, 2023.

b) Basis of measurement

The consolidated 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.

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting year.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

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.

Regulations on carbon emissions and climate change
The following provides certain disclosures as to the impact of carbon emissions and climate change on the amounts recorded in the consolidated financial statements as at and for the year ended December 31, 2022. The below is not a comprehensive list or analysis of all climate change impacts and risks.

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed national instrument 51-107 Disclosure of Climate-Related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment as a possible indication of impairment of its oil and gas properties. The Company completed the analysis of triggers for impairment as at December 31, 2022 and climate risk/climate change, in of itself, did not result in the Company completing an impairment test. The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment of depletion on its oil and gas properties. Depletion of the Company's oil and gas properties was based on proved and probable reserves, the life of which is generally less than 20 years. The ultimate period in which global energy markets can transition from carbon-based sources to alternative energy is highly uncertain, however, the majority of the Company's proved and probable reserves per the 2022 reserve report should be realized prior to the elimination of carbon-based energy.

The Company engages independent third-party reserve evaluators to estimate proved and probable oil and gas reserves. The reserve report includes anticipated impacts from emissions related taxes and carbon pricing. Most notably, the reserve report includes the estimated carbon charge related to the Company's operations based on current rates.

The evolving energy transition and general sentiment to the oil and gas industry may result in reduced access to capital markets. Management will continue to adjust the capital structure to the dynamic environment. The Company's financial results for 2022 were not directly impacted from a climate event. In 2022, the Company did not incur material weather-related damages to its property, plant and equipment. During 2022, management is not aware of a material disruption in its supply chain or the marketers of the Company's product related to climate events.

Business combinations
Transactions are assessed against the criteria in IFRS 3 Business Combinations ("IFRS 3") to assess whether they constitute a business combination or an asset acquisition. Business combinations are accounted for using the acquisition method of accounting. The determination of estimated acquisition-date fair value often requires management to make assumptions and estimates about future events. The estimated acquisition-date fair value of property, plant and equipment ("PP&E"), including oil and gas properties, decommissioning obligations, and exploration and evaluation ("E&E") assets acquired generally require the most judgement. 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).

Decommissioning obligations
In most circumstances, the retirement and remediation of the Company's assets occurs many years into the future. The amounts recorded for these decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of the related cashflows, future environmental and regulatory legislation, as well as the credit-adjusted risk free rate applied.

Cash generating units

Petroleum and natural gas properties are aggregated into cash-generating units ("CGUs") classified as the smallest identifiable, independent group of assets that generate future cash flows. The determination of these CGUs is based on management's judgment regarding shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality.

Reserves estimates

The Company uses estimated proved and probable oil and gas reserves to deplete its oil and gas properties included in property, plant and equipment, to assess for indicators of impairment on the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of its CGUs. 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. The Company engaged independent third party reserve evaluators to evaluate the Company's estimates of proved and probable oil and gas reserves at December 31, 2022 and 2021. Reserve adjustments are made annually based on actual volumes produced, the results from capital expenditure programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year.

Proved oil and gas reserves are those forecasted quantities of petroleum and natural gas determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty, of at least 90 percent, that those quantities will be equaled or exceeded. Probable oil and gas reserves are those forecasted quantities of petroleum and natural gas determined to be economically recoverable under existing economic and operating conditions with a moderate degree of certainty, of at least 50 percent, that those quantities will be equaled or exceeded. Saturn reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with Standards of Disclosures for Oil and Gas Activities ("NI 51-101").

Property, plant and equipment

Oil and gas properties included in PP&E are depleted using the unit-of-production method based on estimated proved and probable oil and gas reserves determined using a number of significant assumptions, such as forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs.

Impairment of property, plant and equipment

Judgments are required to assess when internal or external indicators of impairment, or indicators of impairment reversal, exist and impairment testing is required. In determining the recoverable amount of PP&E, which includes oil and gas properties, impairment tests are based on estimates of proved and probable oil and gas reserves which 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. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Financial derivative instruments

Estimates of the fair value of the Company's derivative financial instruments ("Financial derivatives") is dependent on projected forward prices and the volatility in those prices.

Income taxes

Income tax, goods and services tax, provincial sales tax, and other tax returns filed with the various provincial and federal taxation authorities are subject to tax interpretations. These tax positions are subject to measurement uncertainty.

Lease obligations

Lease obligations are estimated using the rate implicit in the lease where determinable. In all other circumstances, a discount rate equal to the Company's incremental borrowing rate is used. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Stock options, warrants and restricted share units
The determination of the fair value of stock options, warrants or restricted share units ("RSU's") and the related recognition of share-based payments requires that management make assumptions, including the expected price volatility. Changes in assumptions could affect the fair value estimate; existing models do not provide a single measure of the fair value of the Company's stock options and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these statements.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries and any reference to the Company throughout these consolidated financial statements refers to the Company and its subsidiaries. All intercompany balances, transactions, revenue and expenses are eliminated on consolidation. The consolidated accounts are prepared using uniform accounting policies.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when Saturn is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Joint arrangements
Saturn conducts some of its petroleum and natural gas activities through joint operations. Joint operation is a type of joint arrangement over which two or more parties have joint control and rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control. Saturn does not have any joint arrangements that are material to the Company, or that are structured using separate vehicles. In relation to its interests in joint operations, Saturn recognizes in the Financial Statements its share of assets, liabilities, revenues and expenses of the arrangements.

Financial Instruments
Financial instruments are initially recognized at fair value on the statements of financial position. Measurement in subsequent periods depends on the classification of the financial asset or liability as amortized cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL").

Financial instruments classified as FVTPL are measured at their fair values at each reporting period with the change in fair value recognized in profit or loss. Cash, deposits and prepaid expenses, accounts receivable, accounts payable, Senior Term Loan and the Term Notes are measured at amortized cost. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial derivative contracts are classified as FVTPL and are recognized at fair value based on quoted market prices at each reporting date. The Company does not apply hedge accounting to its derivative instruments.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced and/or substantially modified, the difference in the respective carrying amounts is recognized in net loss and comprehensive loss.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

Business combinations
Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income or loss. Transaction costs associated with a business combination are expensed as incurred.

Exploration and evaluation assets
Petroleum and natural gas exploration and evaluation ("E&E") expenditures are accounted for in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources. Costs associated with the exploration for and evaluation of petroleum and natural gas reserves are accumulated on an area-by-area basis and capitalized as E&E assets when incurred. Pre-exploration costs are expensed in the period in which they are incurred.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and transferred to PP&E. When an area is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures related to that project are deemed to be impaired. Exploration and evaluation expenditure costs, in excess of estimated recoveries, are then recognized in profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Property, plant and equipment
Property, plant and equipment, which include oil and gas properties are recorded at cost less accumulated depletion, depreciation, amortization and accumulated impairment losses, net of recovered impairment losses. These assets include all costs associated with the development and production of proved and probable oil and gas reserves. Costs may include proved property acquisitions, development drilling, completion, gathering and infrastructure, geological and geophysical, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs. Expenditures to renew or improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of oil and gas properties are recognized in profit or loss. Accumulated costs are depleted using the unit of production method based on estimated proved and probable oil and gas reserves. Costs subject to depletion include estimate of forecasted future development costs to be incurred in developing proved and probable oil and gas reserves and exclude residual amounts. Depletion is calculated on a CGU basis.

Other capital assets are comprised of furniture and fixtures, computer equipment and leasehold improvements and are recorded at cost less accumulated depreciation.

Depletion, depreciation and amortization
The net carrying value of the oil and gas properties is depleted using the unit-of-production method based on period production relative to the estimated proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production.

Proved plus probable oil and gas reserves are estimated by independent third-party reserve evaluators in accordance with Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Natural gas volumes are converted to equivalent crude oil volumes based upon the relative energy content of six thousand cubic feet of natural gas to one barrel of crude oil. Changes in estimates used in prior periods, such as proved and probable oil and gas reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Other capital assets are depreciated using a declining balance method using rates from 20-100% depending on the asset classification.

Impairment
The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the CGU is estimated to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows from proved and probable oil and gas reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in profit or loss for the period to the extent that the carrying amount of the CGU or asset exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the CGU or asset does not exceed the carrying amount that would have been determined, net of depletion and amortization, had no impairment loss been recognized for the CGU or asset.

A reversal of an impairment loss is recognized immediately in profit or loss.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Financial derivatives
Derivative financial instruments are used by the Company to manage its exposure to market risks relating to commodity prices. The Company's policy is not to use derivative financial instruments for speculative purposes. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third party market indications and forecasts and includes an estimate of the credit quality of counterparties to the derivative instruments. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

The Company has not designated its financial derivative commodity contracts as effective accounting hedges, and therefore has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are measured at fair value, with any gains and losses recorded in profit or loss.

Decommissioning obligations
The Company is subject to various government laws and regulations relating to environmental disturbances caused by the Company's development activities. The Company records the present value of the estimated legal and constructive obligations required to restore sites in the period in which the obligation is expected to be incurred. The nature of decommissioning liabilities includes restoration, reclamation, and revegetation of the affected sites.

Decommissioning obligations generally arises when the environmental disturbance, subject to government laws and regulations, requires remediation. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related petroleum and natural gas assets. Over time, the discounted liability is increased for changes in the present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and decommissioning obligation in the period in which they occur.

Leases
When Saturn becomes party to a new contract, management assesses that contract against the criteria under IFRS 16 Leases. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments, determined

by discounting the remaining lease payments using the interest rate implicit in the lease, if available, or the Company's incremental borrowing rate. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities and payments are applied against the lease liability.

Convertible notes
The Convertible notes are a non-derivative financial instrument that creates a financial liability and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component of the Convertible notes is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the Convertible notes is measured at amortized cost using the effective interest method and is accreted each period up to the maturity date, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the Convertible notes are reclassified to share capital upon on conversion to common shares.

Share Capital
Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity as share issue costs.

Warrants
The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and recorded within shareholders' equity. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share issue costs and recorded within shareholders' equity, or if a cashless exercise options exists as a liability which is remeasured at each reporting date.

Revenue
Revenue from the sale of crude oil, natural gas and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with marketers and other third parties. Saturn recognizes revenue when it transfers control of the product to the contract customer. In making this evaluation, management considers if Saturn has the ability to direct the use of, and obtain substantially all of the remaining benefits from the delivery of the product.

Saturn evaluates its arrangements with marketers and other third parties to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

The Company does not have contracts with customers where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

Share-based payments
The Company uses the fair value method of accounting for its long-term incentive plans, which include an incentive Stock Option Plan (the "Option Plan") and a Restricted Share Unit and Deferred Share Unit Plan (the "RSU/DSU Plan"). Judgments include which valuation model is most appropriate for the grant of the award to estimate its fair value. Estimates and assumptions are then used in the valuation model to determine fair value (note 16).

For stock options, the Company uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the option, the anticipated volatility of the share price over the life of the option, the risk-free interest rate for the life of the option, and the number of options that will ultimately vest. Share based compensation expense is expensed over the vesting period with a corresponding increase to contributed surplus. Consideration received on the exercise of stock options, together with the amount previously recognized in contributed surplus is credited to share capital. The Company capitalizes a portion of share-based payments directly attributable to development activities, with a corresponding decrease to share-based payments expense.

For Restricted Share Units ("RSUs") or Deferred Share Units ("DSUs"), the fair value of the award is estimated based on the market price as ascribed by the TSXV, being the closing price on the day issued. Judgment is also required to estimate the rate of forfeiture, or number of RSUs or DSUs that will ultimately vest. Share based compensation expense is expensed over the vesting period with a corresponding increase to contributed surplus. Once vested, common shares are issued from Treasury and recorded with an increase to share capital and a corresponding decrease to contributes surplus. The Company capitalizes a portion of share-based payments directly attributable to development activities, with a corresponding decrease to share-based payments expense.

Financing expense
Finance expense comprises interest expense on borrowings, accretion of debt instruments, accretion of leases and accretion of decommissioning obligations. The original issue discount and debt issue costs are recognized within profit or loss using the effective interest method.

Income taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred-tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred-tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred-tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share
Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, this calculation proved to be anti-dilutive.

Foreign currency
Transactions in foreign currencies are translated to Canadian dollars at exchange rates in effect to the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at

historical cost are not subsequently re- translated. Foreign currency differences arising on translation are recognized in profit or loss.

Government grants
The Company receives or is eligible for government grants, including those introduced in response to the impact of COVID-19. Government grants are recognized when there is a reasonable expectation that the conditions attached to the grants have been met, and that the grants will be received. Government grants primarily related to asset expenditures will be presented as a reduction to the capital cost of the asset that the grant relates to. Government grants primarily related to income will be recognized in profit or loss as a reduction to the expense line item the grant relates to, in the period in which the expenditures are incurred, or the related income is earned. Government grants primarily related to decommissioning obligations will be presented as a reduction to the carrying value of the obligation once there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received.

4. DETERMINATION OF FAIR VALUES

Several of the Company's accounting policies and disclosures require the determination of fair value, both for financial and nonfinancial assets and liabilities. Inputs used to estimate fair values are categorized into three levels in a fair value hierarchy. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The three levels are defined below:

Level 1 - Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The carrying value of deposits and prepaid expenses, accounts receivable and accounts payable approximate fair value due to the short-term nature of those instruments. The carrying value of the lease liabilities approximates the fair value due to known future payments. The fair value measurement on financial derivative commodity contracts, Senior Term Loan, Term Notes, Convertible notes, Note payable and Warrant liability have a fair value hierarchy of Level 2. The fair value measurement of PP&E, E&E, right-of-use assets have a fair value hierarchy of Level 3.

PP&E and E&E
The fair value of property, plant and equipment recognized is based on market values. The fair value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and gas properties is estimated with reference to the discounted cash flows expected to be derived from proved and probable oil and gas reserves based on independent third-party proved and probable oil and gas reserve reports or in certain circumstances proved and probable oil and gas reserves as estimated by internal reserve evaluators. The market value of E&E assets is estimated with reference to quoted market values for similar transactions.

Cash, deposits and prepaid expenses, accounts receivable and accounts payable
The fair value of cash and cash equivalents, deposits and prepaid expenses, accounts receivable, accounts payable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2022 and December 31, 2021, the fair value of these instruments approximated their carrying value due to their short term to maturity.

Senior Term Loan, Term Notes, convertible notes and promissory notes
The fair value of the Senior Term Loan that is subject to floating Canadian Dollar Offered Rate ("CDOR"), approximates its carrying value as the rate of interest adjusts to market rates. The fair value of the Senior Term Loan not subject to CDOR, Term Notes, convertible notes and note payable that bear fixed rates are carried at amortized cost and approximate their carrying value.

Financial derivatives
The fair value of forward swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the statement of financial position date, using the remaining contracted oil volumes and a rick-free

interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

Share-based payments
The fair values of share awards are measured using a Black-Scholes option pricing model. Measurement inputs include share price of the Company on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate.

5. ACQUISITIONS

Viking Acquisition

On July 6, 2022, the Company acquired certain oil and gas properties targeting the Viking formation located in West Central Saskatchewan (the "Viking Acquisition"). The Viking Acquisition was completed for total cash consideration of $240.9 million, after final adjustments. The Viking Acquisition 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**
Oil and gas properties	260,484
Decommissioning obligations	(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%.

Petroleum and natural gas sales of $73.3 million and net income of $54.8 million are included in the statement of income (loss) and comprehensive income (loss) for the acquired assets since the closing date of July 6, 2022.

If the Viking Acquisition had occurred on January 1, 2022, the incremental petroleum and natural gas sales and net income (loss) recognized for the period ended December 31, 2022, 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	367,957	100,335	468,292
Net income	74,815	77,360	152,175

Plato Acquisition

On February 28, 2022, the Company completed an acquisition (the "Plato Acquisition") of certain oil and gas properties in the Plato area of West Central Saskatchewan. The Plato Acquisition was completed for total cash consideration of $7.5 million, after closing adjustments. The Acquisition 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**
Oil and gas properties	15,708
Decommissioning obligations	(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%.

Petroleum and natural gas sales of $12.6 million and net income of $9.7 million are included in the statement of income (loss) and comprehensive income (loss) for the acquired assets since the closing date of February 28, 2022.

If the Plato Acquisition had occurred on January 1, 2022, the incremental petroleum and natural gas sales and net income recognized for the period ended December 31, 2022, 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	367,957	1,372	369,329
Net income	74,815	819	75,634

6. EXPLORATION AND EVALUATION

E&E assets consist of the Company's undeveloped land, geological and geophysical assets and exploratory drilling costs for projects in which technical feasibility or commercial viability has yet to be determined.

The following table reconciles the movements of the Company's E&E assets for the years:

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**4,485**	4,485
Additions	**1,858**	-
Expiries	**(710)**	-
Balance, end of year	**5,633**	4,485

As at December 31, 2022 and 2021, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

7. PROPERTY, PLANT AND EQUIPMENT

Cost ($000s)	**Oil and gas properties**	**Other assets**	**Total**
As at December 31, 2020	46,560	307	46,867
Additions	8,592	35	8,627
Acquisition	132,897	-	132,897
Change in decommissioning obligations	3,398	-	3,398
As at December 31, 2021	191,447	342	191,789
Additions	**86,615**	**797**	**87,412**
Acquisition (note 5)	**276,195**	**-**	**276,195**
Change in decommissioning obligations	**4,218**	**-**	**4,218**
As at December 31, 2022	**558,475**	**1,139**	**559,614**
Accumulated depletion, depreciation and amortization			
As at December 31, 2020	13,236	206	13,442
Depletion, depreciation and amortization	15,522	147	15,669
Disposals	(43)	(188)	(231)
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**
Net book value			
As at December 31, 2021	162,732	177	162,909
As at December 31, 2022	**485,680**	**651**	**486,331**

As at December 31, 2022, the calculation of depletion includes estimated forecasted future development costs relating to the development of proved and probable oil and gas reserves of $473.8 million (December 31, 2021 - $303.4 million). The Company capitalized $2.2 million of general and administrative costs for the year ended December 31, 2022 (December 31, 2021 – $0.6 million) and capitalized $0.2 million of share-based compensation expense for the year ended December 31, 2022 (December 31, 2021 – $0.2 million).

At December 31, 2022 and 2021, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

8. RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities and vehicles. See note 9 for additional information regarding the Company's leases.

Cost ($000s)	**Offices**	**Vehicles**	**Total**
As at December 31, 2020	935	-	935
Additions	2,419	1,349	3,768
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**
Accumulated depletion, depreciation and amortization			
As at December 31, 2020	370	-	370
Depletion, depreciation and amortization	321	236	557
As at December 31, 2021	691	236	927
Depletion, depreciation and amortization	**584**	**338**	**922**
As at December 31, 2022	**1,275**	**574**	**1,849**
Net book value			
As at December 31, 2021	2,663	1,113	3,776
As at December 31, 2022	**2,369**	**1,021**	**3,390**

9. LEASES

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

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**3,747**	610
Lease remeasurement	**-**	581
Additions	**536**	3,188
Lease payment	**(1,654)**	(964)
Interest expense	**534**	332
Carrying value, end of year	**3,163**	3,747
Current	**1,358**	933
Long-term	**1,805**	2,814

As at December 31, 2022, the estimated undiscounted cash flows required to settle the Company's lease liability was $6.5 million (December 31, 2021 - $5.5 million).

10. WARRANT LIABILITIES

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**4,856**	1,032
Change in fair value	**(2,836)**	87
Extinguishments (note 13)	**-**	(1,032)
Additions (note 13)	**-**	4,769
Balance, end of year	**2,020**	4,856

The Company issued 2,190,000 common share purchase warrants in connection with the Term Notes on June 7, 2021. These were determined to be derivatives and have been recognized as a liability as the warrant holder has a cashless exercise provision allowing them to receive the number of shares based on the Company share price at the exercise date. The warrants have been recognized as part of debt issue costs and corresponding amount has been included in warrant liability which was determined to have a fair value of $4.8 million at inception using the Black-Scholes option pricing model. 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. The following assumptions were used in the Black-Scholes option pricing model at December 31, 2022: exercise prices of $3.20; maturity dates of December 7, 2024; dividend yields of nil; risk-free interest rates of 3.77%; inception share price and volatility of $3.40 and 95%; and December 31, 2022 share price and volatility of $2.35 and 87.24%.

The Company cancelled 1,525,256 common share purchase warrants related to the Revolving Notes on June 7, 2021. These were determined to be derivatives and had been recognized as a liability as the warrant holder had a cashless exercise provision allowing them to receive the number of shares based on the Company share price at the exercise date. The warrants had been recognized as debt issue costs and a corresponding amount was included in warrant liability. As at December 31, 2020, the warrants had a fair value of $1.0 million using a Black-Scholes option pricing model. Prior to cancellation, the warrants were determined to have a fair value of $1.7 million resulting in a $0.7 million unrealized loss recognized in profit before cancellation. Upon cancellation, the remaining fair value of $1.7 million was recognized in profit or loss for the year ended December 31, 2021.

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

11. 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 $239.8 million (December 31, 2021 - $196.2 million) which has been inflated at 2.0% (December 31, 2021 – 2.0%) and discounted below using the credit adjusted risk-free rate of 14.5% (December 31, 2021 – 14.5%) with an estimated timeline to abandoned between 1 and 51 years.

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**47,296**	415
Acquired (note 5)	**7,966**	40,213
Obligations incurred (note 7)	**569**	8
Change in estimates (note 7)	**3,649**	3,390
ASCP settlements	**(13,639)**	(256)
Cash settlements	**(582)**	(53)
Accretion	**7,367**	3,579
Balance, end of year	**52,626**	47,296

During the year ended December 31, 2022, $13.6 million (December 31, 2021 - $0.3 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.

In connection with the acquisition of the Company’s assets in the Oxbow area of Southeast Saskatchewan, the Company placed a $21.0 million deposit with the Saskatchewan Ministry of Energy and Resources (“SMER”) on June 7, 2021.

12. SENIOR TERM LOAN

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 an additional $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 scheduled 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.

Principal ($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**68,860**	-
Additions	**238,000**	87,000
Repayments	**(61,381)**	(18,140)
Balance, end of year	**245,479**	68,860
Debt issue costs and discount		
Balance, beginning of year	**(3,805)**	-
Additions, original issue discount	**(8,032)**	(6,470)
Additions, debt issue costs	**(1,080)**	-
Acceleration on extinguishment	**4,284**	-
Amortization	**3,997**	2,665
Balance, end of year	**(4,636)**	(3,805)
Carrying value	**240,843**	65,055
Current	**119,934**	33,582
Long-term	**120,909**	31,473

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 December 31, 2022, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the key financial covenants 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 adjusted EBITDA (note 21).

Loss on debt extinguishment

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. The net present value of the expanded cash flows related to the Senior Term Loan, discounted at the original effective interest rate, was compared against the original net book value, resulting in a gain on debt modification of $0.3 million.

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 9, 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 extinguished	(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)
New debt issue costs, non-cash	(793)
Loss on debt extinguishment	(4,575)

13. TERM NOTES

On February 28, 2022, the Company retired the Term Notes in full for the amount of $32.1 million (US$25.3 million) (note 12).

Principal ($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**28,858**	25,142
Additions	**637**	3,716
Repayments	**(29,495)**	-
Balance, end of year(1)	**-**	28,858
Debt issue costs and discount		
Balance, beginning of year	**(4,754)**	-
Additions, debt issue costs	**-**	(5,261)
Acceleration on extinguishment	**4,566**	-
Amortization	**188**	507
Balance, end of year	**-**	(4,754)
Carrying value	**-**	24,104
Current	**-**	-
Long-term	**-**	24,104

(1) The Term Notes principal balance at December 31, 2021 is US$22.8 million converted to $28.9 million at the December 31, 2021 exchange rate of 1.2678. Unamortized deferred debt issue costs are denominated in Canadian dollars.

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 million secured reserve-based revolving note facility ("Revolving Notes") plus accrued and unpaid interest of US$2.0 million and replace them with US$19.7 million in second priority senior secured cash/paid in kind term notes ("Cash/PIK Notes") and US$2.0 million in 15% second-priority senior secured term PIK notes ("PIK Notes") (collectively the "Term Notes") due December 7, 2024. The Cash/PIK Notes bear interest at a combined rate of 15% and are payable at a rate of 7.5% in cash per annum and 7.5% payable in kind accruing monthly and payable upon maturity. The PIK Notes bear interest at 15% and are payable in kind accruing monthly and payable upon maturity.

14. PROMISSORY NOTES

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 an interest of 2% and is subordinated until July 2025.

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**784**	1,332
Repayment	**-**	(784)
Revaluation	**-**	89
Settlement	**-**	-
Interest and accretion	**44**	147
Balance, end of year	**828**	784

15. 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.

($000s)	**December 31, 2022**	December 31, 2021
Balance, beginning of year	**2,197**	2,038
Interest and accretion	**164**	159
Balance, end of year	**2,361**	2,197

16. SHARE CAPITAL

Authorized

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

On October 13, 2021, the Company consolidated its common shares on the basis of twenty pre-consolidation common shares for one post-consolidation common share. All reference made to common shares, warrants, stock options and broker compensation options ("Broker Options") in these consolidated financial statements are on a post-consolidation basis unless otherwise noted. Certain warrants of the Company were not impacted by the share consolidation, post share consolidation twenty of these certain warrants are now required to convert into one common share.

Issued and outstanding

	December 31, 2022		December 31, 2021	
(000s)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of year	**25,165**	**45,609**	11,728	33,027
Common shares issued for cash proceeds	**34,199**	**95,763**	13,417	32,200
Allocation to warrants	**-**	**(14,679)**	-	(14,361)
Cash share issue costs	**-**	**(6,949)**	-	(2,325)
Non-cash share issue costs	**-**	**421**	-	(3,022)
Broker option exercise	**378**	**1,350**	-	-
Stock option exercise	**150**	**502**	20	90
Balance, end of year	**59,892**	**122,017**	25,165	45,609

On March 10, 2022, Saturn completed a bought-deal equity financing of 6,141,000 units at a price of $3.00 per unit; and a non-brokered private placement of 730,000 units at a price of $3.00 per unit, together the ("March Equity Financings") for aggregate gross proceeds of $20.6 million. 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 expiring March 10, 2025. The Company recorded $3.0 million in share issue costs comprised of $1.7 million in commission and fees and the calculated fair value of $1.3 million associated with 399,165 broker options issued to underwriters and advisors.

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.

On June 4, 2021, Saturn completed a concurrent brokered and non-brokered private placement of 268,333,333 units (pre-consolidation) at a price of $0.12 per unit for aggregate gross proceeds of $32.2 million. Each unit consisted of one common share (pre-consolidation) and one common share purchase warrant, with each twenty whole warrants entitling the holder to purchase one common share of the Company at a combined exercise price of $3.20 per share for a period of two years from the issue date. The Company recorded $5.4 million in share issue costs comprised of $2.4 million in commission and fees and the calculated fair value of $3.1 million associated with 741,451 Broker Options issued to underwriters and advisors.

Warrants

(000s, except per warrant price)	**Warrants**	**December 31, 2022 Weighted average exercise price**	Warrants	December 31, 2021 Weighted average exercise price
Balance, beginning of year	**15,607**	**3.20**	1,525	4.70
Issued	**20,913**	**3.46**	15,607	3.20
Cancelled (note 10)	**-**	**-**	(1,525)	4.70
Balance, end of year	**36,520**	**3.35**	15,607	3.20

Between February 24, 2022 and November 15, 2022, the Company issued 378,552 restricted warrants upon the exercise of certain broker options.

On March 10, 2022, the Company issued 6,871,000 warrants in connection to the March Equity Financings which were allocated a fair value of $7.2 million. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 36 months; volatility of 99%; risk-free interest rate of 1.6%; and a dividend yield of 0%.

On July 6, 2022, the Company issued 13,663,717 warrants in connection to the July Equity Financings which were allocated a fair value of $7.5 million. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 12 months; volatility of 96%; risk-free interest rate of 3.1%; and a dividend yield of 0%.

The Company has both non-listed restricted warrants and listed unrestricted warrants that trade on the TSXV. As at December 31, 2022, 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**
March 1, 2023	Restricted	3.20	2,190	1:1	2,190
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
					36,520

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

(2) 6,506,240 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)	December 31, 2022 Broker options	 Weighted average exercise price	December 31, 2021 Broker options	 Weighted average exercise price
Balance, beginning of year	**891**	**2.40**	-	-
Issued	**2,019**	**2.80**	891	2.40
Exercised	**(378)**	**2.40**	-	-
Balance, end of year	**2,532**	**2.71**	891	2.40

In partial consideration for services rendered in relation to the March Equity Financings, the Company issued 399,165 broker options to the underwriters. Each broker option is exercisable at a price of $3.00 until March 10, 2024 and entitles the holder to one common share of the Company and one warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $4.00 until March 10, 2025. As at December 31, 2022, the broker options are fully vested and exercisable.

In partial consideration for services rendered in relation to the July Equity Financings, the Company issued 1,619,962 broker options to the underwriters. Each broker option is exercisable at a price of $2.75 until July 7, 2023 and entitles the holder to one common share of the Company and one-half of one common share purchase warrant. Each whole-warrant entitles the holder to purchase one common share of the Company at an exercise price of $3.20 until July 7, 2024. As at December 31, 2022, the broker options are fully vested and exercisable.

As at December 31, 2022, 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 granted for maximum term of 5 years, and vest either at 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. A summary of the changes in stock options outstanding is as follows:

(000s, except per option price)	December 31, 2022 Stock options	 Weighted average exercise price	December 31, 2021 Stock options	 Weighted average exercise price
Balance, beginning of year	**1,982**	**2.49**	1,376	2.51
Granted	**-**	**-**	800	2.51
Exercised	**(150)**	**1.80**	(20)	2.50
Expired	**-**	**-**	(146)	2.69
Forfeited/cancelled	**(145)**	**2.81**	(28)	3.00
Balance, end of year	**1,687**	**2.52**	1,982	2.49

As at December 31, 2022, the following stock options were exercisable and outstanding:

(000s, except per option price)	Number outstanding	Stock options outstanding Weighted average exercise price	Weighted average life remaining (years)	Number exercisable	Stock options exercisable Weighted average exercise price	Weighted average life remaining (years)
1.60 - 2.00	455	1.77	1.0	436	1.76	0.9
2.01 - 2.90	815	2.51	3.3	460	2.46	3.2
2.91 - 4.00	417	3.37	1.2	418	3.37	1.2
	1,687	2.52	2.4	1,314	2.52	1.8

During the Year ended December 31, 2022, the Company expensed $0.6 million (December 31, 2021 - $0.5 million) and capitalized $0.2 million (December 31, 2021 - $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 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. A summary of the changes in RSU's outstanding is as follows:

(000s, except per RSU price)	**December 31, 2022** **RSUs**	**Weighted average exercise price**	December 31, 2021 RSUs	Weighted average exercise price
Balance, beginning of year	**-**	**-**	-	-
Granted	**63**	**3.50**	-	-
Forfeited/Cancelled	**(18)**	**3.50**	-	-
Balance, end of year	**45**	**3.50**	-	-

As at December 31, 2022, the following RSUs were exercisable and outstanding:

(000s, except per RSU price)	Number outstanding	RSUs outstanding Weighted average exercise price	Weighted average life remaining (years)	Number exercisable	RSUs exercisable Weighted average exercise price	Weighted average life remaining (years)
3.50	45	3.50	2.1	15	3.50	2.1
	45	3.50	2.1	15	3.50	2.1

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, 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:

(000s, except per share amounts)	Year ended December 31, **2022**	2021
Weighted average shares outstanding		
Basic	**44,402**	19,339
Diluted	**44,955**	21,960
Per share income (loss)		
Basic	**1.68**	(3.36)
Diluted	**1.66**	(3.36)

17. INCOME TAXES

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual provision for deferred income taxes per the statements of net loss and comprehensive loss.

	Year ended December 31,	
($000s, except statutory rates)	**2022**	2021
Income (loss) before income taxes	**68,949**	(67,658)
Statutory income tax rate	**26.5%**	25.0%
Expected income tax (recovery) expense	**18,271**	(16,915)
Increase (decrease) resulting from:		
Non-deductible expenses	**2,389**	171
Amounts booked to Equity	**(3,312)**	-
Adjustments in respect of prior year	**(8)**	(69)
Change in effective tax rate and other	**(1,281)**	370
Change in unrecognized deferred income tax assets	**(21,925)**	13,846
Deferred income tax recovery	**(5,866)**	(2,597)

The components of the Company's deferred income tax asset (liability) are as follows:

($000s)	**December 31, 2022**	Recognized on the Statement of Loss and Comprehensive Loss	Recognized on business combination	Recognized on Statement of Change in Equity	December 31, 2021
PP&E and E&E assets	**(42,334)**	(18,647)	(6,954)	-	(16,733)
Financial derivatives	**22,080**	17,171	-	-	4,909
Debt issue costs	**1,447**	1,447	-	-	-
Decommissioning obligations	**13,925**	108	1,992	-	11,824
Debt obligations	**509**	509	-	-	-
Lease liabilities	**837**	837	-	-	-
Share issue costs	**2,447**	(865)	-	3,312	-
Non-capital losses	**5,306**	5,306	-	-	-
	4,217	5,866	(4,962)	3,312	-

Deferred tax assets have not been recognized for the following deductible temporary differences:

	Year ended December 31,	
($000s)	**2022**	2021
PP&E and E&E assets	-	-
Financial derivatives	-	54,887
Debt issue costs	-	1,205
Decommissioning obligations	-	-
Debt obligations	-	642
Lease liabilities	-	3,746
Share issue costs	-	5,592
Non-capital losses	-	21,629
Total unrecognized deductible temporary differences	-	87,701

At December 31, 2022, the petroleum and natural gas assets and facilities owned by Saturn have an approximate tax basis of $335.0 million (December 31, 2021 - $104.0 million) available for deduction against future taxable income. The Company has approximately $20.0 million (December 31, 2021 - $21.6 million) in non-capital loss carryforwards available to reduce future taxable income which expire between 2031 and 2041.

18. REVENUE

($000s)	Year ended December 31, 2022	2021
Crude oil	**360,891**	112,802
NGLs	**4,325**	1,194
Natural gas	**2,741**	727
Petroleum and natural gas sales	**367,957**	114,723
Processing income	**3,175**	1,491
	371,132	116,214

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 December 31, 2022 is $36.3 million (December 31, 2021 – $18.0 million) of accrued petroleum and natural gas sales related to December 31, 2022 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.

19. FINANCING

($000s)	Year ended December 31, 2022	2021
Interest expense, cash	**28,548**	7,718
Interest expense, paid in kind	**572**	2,703
Amortization of original issue discount and debt issue costs	**4,185**	3,251
Accretion, debt instruments	**208**	394
Accretion, leases (note 9)	**534**	332
Accretion, decommissioning obligations (note 11)	**7,367**	3,579
Financing expenses	**41,414**	17,977

20. SUPPLEMENTAL CASH FLOW INFORMATION

($000s)	Year ended December 31, 2022	2021
Change in non-cash working capital:		
Accounts receivable	**(20,881)**	(19,300)
Deposits and prepaid expenses	**(2,104)**	(26,999)
Accounts payable	**27,683**	23,703
	4,698	(22,596)
Related to:		
Operating activities	**(14,536)**	(26,722)
Financing activities	**-**	991
Investing activities	**19,234**	3,135
Total change in non-cash working capital	**4,698**	(22,596)

21. 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 December 31, 2022.

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 are discretionary 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 December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Cash flow from (used in) operating activities	**58,100**	13,033	**102,314**	(1,285)
Change in non-cash working capital	**(7,404)**	(3,433)	**14,536**	26,722
Decommissioning expenditures	**33**	53	**582**	53
Transaction costs	**-**	78	**1,226**	1,858
Adjusted funds flow	**50,729**	9,731	**118,658**	27,348

Net debt and total capitalization

Management considers net debt a key capital management measure in assessing the Company's liquidity. 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 and the risk characteristics of the Company's underlying assets and operations. 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.

($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 (note 11)	**(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.

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 12) 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 December 31,		Year ended December 31,	
($000s)	**2022**	2021	**2022**	2021
Adjusted funds flow	**50,729**	9,731	**118,658**	27,348
Interest expense, cash	**11,661**	3,227	**28,548**	7,718
Adjusted EBITDA	**62,390**	12,958	**147,206**	35,066

22. 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 $62.9 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 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.

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 or settle the instrument simultaneously. 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 December 31, 2022:

($000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	16,309	(14,335)	1,974
Long term asset	20,106	(19,506)	600
Current liability	(60,707)	14,335	(46,372)
Long term liability	(59,151)	19,506	(39,645)
Net liability position	**(83,443)**	**-**	**(83,443)**

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 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
Accounts payable	56,533	-	-	-	56,533
	214,222	150,464	2,704	7,562	374,952

(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 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.

The maximum credit exposure on accounts receivable at the reporting date by type of customer was:

($000s)	**December 31, 2022**	December 31, 2021
Oil and natural gas marketing companies	**36,131**	17,493
Joint venture partners	**4,243**	1,751
Other	**546**	795
Total accounts receivable	**40,920**	20,039

The Company's five most significant customers account for $28.3 million of accounts receivable as at December 31, 2022 (December 31, 2021 – $17.5 million) and are classified as current. The Company's accounts receivable is aged as follows:

($000s)	**December 31, 2022**	December 31, 2021
Current (less than 90 days)	**40,237**	19,653
Past due (more than 90 days)	**683**	386
Total accounts receivable	**40,920**	20,039

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 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 $2.1 million during the period 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 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 consists of the following:

($000s)	**December 31, 2022**	December 31, 2021
Cash	**(10,256)**	(2,415)
Accounts receivable	**(40,920)**	(20,039)
Deposits and prepaid expenses	**(29,586)**	(27,482)
Accounts payable	**56,533**	28,850
Senior Term Loan	**240,843**	65,055
Term Notes	**-**	24,104
Promissory notes	**828**	784
Convertible notes	**2,361**	2,197
Net debt	**219,803**	71,054
Shareholders' equity (deficit)	**138,516**	(30,306)
Total capitalization	**358,319**	40,748

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 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 disposing of assets, the availability of any such means being dependent upon market conditions.

23. COMMITMENTS

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.

24. RELATED PARTY TRANSACTIONS

The Company engages Broadbill Energy Inc. ("Broadbill") to provide Saturn with oil and gas marketing services. The Chief Executive Officer of Broadbill is a director and shareholder of Saturn, and the Chief Executive Officer of Saturn is a director of Broadbill. During the year ended December 31, 2022, the Company incurred $0.8 million in marketing fees (December 31, 2021 – $0.5 million). As at December 31, 2022, a $0.1 million payable balance (December 31, 2021 – $0.1 million) was outstanding.

The Company engages Axiom Exploration Group Ltd. ("Axiom") to provide Saturn with project management services related to the Saskatchewan Accelerated Site Closure Program. The Chief Executive Officer of Saturn is a director and shareholder of Axiom. During the year ended December 31, 2022, the Company incurred $0.1 million in project management services (December 31, 2021 – $0.1 million). As at December 31, 2022, a nil payable balance (December 31, 2021 – $0.1 million) was outstanding.

Compensation relating to key management personnel and directors of the Company, including salaries and accrued bonuses and share based payments for the year ended December 31, 2022 totaled $3.1 million and $0.2 million, respectively (December 31, 2021 – $1.8 million and $0.6 million).

25. SUBSEQUENT EVENTS

Ridgeback Acquisition

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 Acquisition was completed for total consideration of approximately $525 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.

Equity financing

On January 20, 2023, the Company completed a bought deal financing issuing 59,242,000 subscription receipts at a price of $2.11 per subscription receipt for gross proceeds of $125 million. The gross proceeds, less applicable underwriters' fees and expenses were funded into in escrow subject to the closing of the Ridgeback Acquisition. On February 28, 2023, funds were released from escrow to Saturn, and each subscription receipt was converted into one common share of the Company.

Senior Term Loan expansion

On February 28, 2023, the Company entered into an amended and restated senior secured loan agreement with its senior secured lender and expanded the Senior Term Loan by $375.0 million at an original issue discount of 2.5%, to an aggregate principal amount of $608.2 million. The loan will amortize over three years, with 42% repayable in the first year, 33% in the second year and 25% in the final year. 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 February 28, 2026.