SATURN OIL AND GAS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)

The following Management's Discussion and Analysis ("MD&A") is a review of the operational and financial results and outlook for Saturn Oil and Gas Inc. ("Saturn" or the "Company") for the three and six months ended June 30, 2021 and 2020. This MD&A is dated and based on information available as at August 26, 2021 and should be read in conjunction with the unaudited condensed interim financial statements ("financial statements") and the notes thereto for the three and six months ended June 30, 2021 and 2020 and the audited consolidated financial statements for the year ended December 31, 2020. Additional information relating to Saturn, including Saturn's Annual Information Form for the year ended December 31, 2020, is available on SEDAR at www.sedar.com and Saturn's website at www.saturnoil.com.

The financial statements have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting". The Company uses certain non-GAAP measures in this MD&A. For a discussion of those measures, including the method of calculation, please refer to the section titled "Non-GAAP Measures". Unless otherwise indicated, all references to dollar amounts are in Canadian currency.

DESCRIPTION OF THE BUSINESS

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

STRATEGIC ACQUISITION

On June 7, 2021, Saturn closed a transformational acquisition (the "Acquisition" or the "Oxbow Acquisition") of assets in the Oxbow area of Southeast Saskatchewan (the "Oxbow Asset"). The Company acquired approximately 6,400 boe/d at closing date with over 450 set sections of land, largely positioned across one of the most economic oil plays in North America. The Acquisition enhances Saturn's financial and operational strength through the addition of a high-quality and very low decline (12%) light oil asset base that is projected to generate robust free cash flow at current prices. The Oxbow Asset produces primarily from the Frobisher and Midale formations and feature a sizeable inventory of targets for workover, optimization and development drilling. The Acquisition closed for total cash consideration of $76.8 million, after closing adjustments, and was funded through proceeds from a new $87.0 million senior secured term loan, an upsized and oversubscribed brokered private placement and a non-brokered private placement (collectively the "Private Placements") which raised total gross proceeds of $32.2 million.

Q2 2021 HIGHLIGHTS

- Closed transformational Acquisition including approximate production of 6,400 boe/d (96% oil) for cash proceeds of $76.8 million, after closing adjustments, recording a $11.9 million gain on acquisition;
- Completed concurrent upsized and oversubscribed Private Placements for total gross proceeds of $32.2 million;
- Closed a $87 million senior secured term loan ("Senior Term Loan") financing with an expected maturity date of June 7, 2024;
- Achieved second quarter average production of 1,875 boe/d in 2021 compared to 136 boe/d in the second quarter of 2020;
- Generated adjusted funds flow (see "Non-GAAP Measures") of $2.9 million and $2.4 million in the three and six months ended June 30, 2021 primarily due to 23 days of operations from the Oxbow Asset;
- Exited the second quarter with $74.5 million net debt;
- Achieved an operating netback for the three and six months ended June 30, 2021 of $29.58 per boe and $30.87 per boe
- Successfully integrated dedicated staff at both the head office in Calgary, Alberta and the field office in Carlyle, Saskatchewan; and
- Strategically hedged approximately 80% of forecast 2021 production volumes to protect project economics and cash flow, while mitigating ongoing volatility in commodity markets.

FINANCIAL AND OPERATING HIGHLIGHTS

(CAD $000s, except per share amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales	**12,589**	426	**13,911**	3,591
Cashflow used in operating activities	**(30,265)**	(954)	**(30,478)**	(961)
per share - Basic	**(0.10)**	(0.00)	**(0.11)**	(0.00)
- Diluted	**(0.10)**	(0.00)	**(0.11)**	(0.00)
Adjusted funds flow [(1)]	**2,884**	(529)	**2,342**	1,132
per share - Basic	**0.01**	(0.00)	**0.01**	0.00
- Diluted	**0.01**	(0.00)	**0.01**	0.00
Net loss	**(29,597)**	(3,023)	**(31,128)**	(2,365)
per share - Basic	**(0.10)**	(0.01)	**(0.13)**	(0.01)
- Diluted	**(0.10)**	(0.01)	**(0.13)**	(0.01)
Property acquisition	**76,820**	-	**76,820**	-
Net Debt[(1)], end of period	**74,504**	29,907	**74,504**	29,907
OPERATING HIGHLIGHTS				
Average Production Volumes				
Crude oil (bbl/d)	**1,741**	136	**991**	410
Natural gas (mcf/d)	**408**	-	**205**	-
NGLs (bbl/d)	**66**	-	**33**	-
Total boe/d	**1,875**	136	**1,058**	410
% Oil and NGLs	**96%**	100%	**97%**	100%
Average realized prices				
Crude oil ($/bbl)	**77.50**	34.31	**75.81**	48.12
Natural gas ($/mcf)	**2.89**	-	**2.89**	-
NGLs ($/bbl)	**33.67**	-	**33.67**	-
Combined ($/boe)	**73.79**	34.31	**72.61**	48.12
Operating netbacks				
Oil and gas sales	**73.79**	34.31	**72.61**	48.12
Royalties	**(9.61)**	(0.53)	**(8.86)**	(1.69)
Operating expenses	**(24.46)**	(16.76)	**(23.85)**	(11.72)
Transportation expenses	**(1.92)**	-	**(1.71)**	-
Operating netbacks[(1)]	**37.80**	17.02	**38.19**	34.71
Realized gain (loss) on financial derivatives	**(8.22)**	79.15	**(7.32)**	17.02
Operating netbacks[(1)] after realized gain (loss) on financial derivatives	**29.58**	96.17	**30.87**	51.73
Common shares outstanding	**502,907**	233,246	**502,907**	233,246
Weighted average common shares outstanding				
Basic	**305,343**	233,246	**276,569**	233,246
Diluted	**379,656**	233,246	**351,473**	233,246

(1) Non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A

PRODUCTION

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Crude oil (bbl/d)	**1,741**	136	**991**	410
Natural gas (mcf/d)	**408**	-	**205**	-
NGLs (bbl/d)	**66**	-	**33**	-
Total boe/d	**1,875**	136	**1,058**	410

Total average production volumes increased to 1,875 boe/d in the second quarter of 2021 from 136 boe/d in the second quarter of 2020. Year to date, average production volumes increased to 1,058 boe/d from 410 boe/d for the same period in 2020. The increases reflect production from the newly acquired Oxbow Asset which averaged approximately 6,400 boe/d for the 23-day period following the closing of the Acquisition on June 7, 2021. The core producing properties acquired are geologically concentrated within the Mississippian aged Midale and Frobisher oil formations of Southeast Saskatchewan.

Production from the Company's Viking assets located in West Central Saskatchewan (the "Viking Asset") produced approximately 240 bbl/d in the second quarter of 2021, up 76% from 136bbl/d from the second quarter of 2020. The increase in production is a result of the reactivation of previously of shut-in wells following the oil price recovery period over period.

SALES

($000s)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Crude oil	**12,281**	426	**13,603**	3,591
Natural gas	**107**	-	**107**	-
NGLs	**201**	-	**201**	-
Petroleum and natural gas	**12,589**	426	**13,911**	3,591

The Company's petroleum and natural gas sales increased quarter over quarter to $12.6 million from $0.4 million, and year-to-date 2021 of $13.9 million from year-to-date 2020 of $3.6 million. The increases primarily relate to additional volumes associated with the Oxbow Acquisition compounded by higher realized prices.

BENCHMARK AND REALIZED PRICES

	Three months ended June 30, 2021	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Average benchmark prices				
WTI (US$/bbl) (1)	**66.05**	27.85	**61.94**	37.01
Exchange rate (US$/$C)	**1.23**	1.39	**1.25**	1.37
WTI (C$/bbl)	**81.07**	38.42	**77.14**	50.04
MSW Par at Edmonton ($/bbl) (2)	**77.04**	29.55	**71.74**	40.58
Midale Par at Cromer ($/bbl)	**81.09**	35.18	**76.43**	45.26
LSB Par at Cromer ($/bbl) (3)	**78.18**	30.72	**73.07**	41.63
AECO natural gas ($/Mcf) (4)	**3.09**	1.99	**3.12**	2.01
Average realized prices				
Crude oil ($/bbl)	**77.50**	34.31	**75.81**	48.12
Natural gas ($/mcf)	**2.89**	-	**2.89**	-
NGLs ($/bbl)	**33.67**	-	**33.67**	-
Combined ($/boe)	**73.79**	34.31	**72.61**	48.12

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

For the three and six months ended June 30, 2021, the Company realized a combined realized price for petroleum and natural gas of $73.79 per boe and $72.61 per boe versus $34.31 per boe and $48.12 per boe in the comparable 2020 periods.

The majority of the Company's revenue base is from the sale of crude oil which varies based on sales point and certain par prices. The Company's realized price for crude oil from the Oxbow Acquisition in Southeast Saskatchewan is primarily based on the LSB and Midale par prices at Cromer, while the Viking production in West Central Saskatchewan is based on the MSW Par price at Edmonton. The Company's average realized oil price for the second quarter was $77.50 per bbl, a 126% increase from $34.31 per bbl in the second quarter of 2021. The Company's average realized price oil price for the six months ended June 30, 2021 was $75.81 per bbl, a 58% increase from $48.12 per bbl in the six months ended June 30, 2020.

RISK MANAGEMENT AND COMMODITY FINANCIAL INSTRUMENTS

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Realized gain (loss) on financial derivatives	**(1,402)**	982	**(1,402)**	1,270
Unrealized gain (loss) on financial derivatives	**(45,851)**	(2,252)	**(45,898)**	1,032
Net gain (loss) on financial derivatives	**(47,253)**	(1,270)	**(47,300)**	2,302
Realized gain (loss) on financial derivatives $ per boe	**(8.22)**	79.15	**(7.32)**	17.02

The Company uses commodity risk management contracts which are classified as financial derivatives to manage exposure to commodity price volatility. Details of open commodity contracts as at June 30, 2021 are described in "Market Risk" section below.

The Company realized a $1.4 million loss on its financial commodity contracts for the three and six months ended June 30, 2021. Saturn has not designated any financial commodity contracts as hedges, and as a result the unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. At June 30, 2021, the outstanding financial commodity contracts had an asset fair value of $17.8 and a liability fair value of $63.6 million.

ROYALTIES

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Royalties	**1,640**	7	**1,698**	126
As a % of petroleum and natural gas sales	**13.0%**	1.6%	**12.2%**	3.5%
$ per boe	**9.61**	0.53	**8.86**	1.69

Royalties as a percentage of petroleum and natural gas sales in the second quarter of 2021 were 13.0 percent compared to 1.6 percent in the second quarter of 2020. Year to date, royalties as a percentage of revenues were 12.2 percent compared to 3.5 percent for the same period in 2020. The increases in royalty rates were primarily attributable to the Oxbow Acquisition which had higher royalties associated than the Company's Viking Asset and higher benchmark prices.

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

OPERATING EXPENSES

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Operating expenses	**4,173**	208	**4,570**	875
$ per boe	**24.46**	16.76	**23.85**	11.72

Operating expenses increased to $24.46 per boe from $16.76 per boe in the second quarter of 2021 and to $23.58 per boe from $11.72 per boe year-to-date 2021 compared to 2020. The increases are primarily attributable to the Oxbow Acquisition which had higher operating expenses per boe than the Company average for the same periods in 2020.

TRANSPORTATION EXPENSES

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Transportation expenses	**327**	-	**327**	-
$ per boe	**1.92**	-	**1.71**	-

Transportation expenses per boe were $1.92 per boe and $1.71 per boe in the three and six months ended June 3021. The increases in transportation expenses were primarily attributable to the Oxbow Acquisition transportation contracts.

OPERATING NETBACKS

The components of Operating Netbacks are set out below:

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Oil and gas sales	**73.79**	34.31	**72.61**	48.12
Royalties	**(9.61)**	(0.53)	**(8.86)**	(1.69)
Operating expenses	**(24.46)**	(16.76)	**(23.85)**	(11.72)
Transportation expenses	**(1.92)**	-	**(1.71)**	-
Operating netbacks [(1)]	**37.80**	17.02	**38.19**	34.71
Realized gain (loss) on financial derivatives	**(8.22)**	79.15	**(7.32)**	17.02
Operating netbacks after realized gain (loss) on financial derivatives [(1)]	**29.58**	96.17	**30.87**	51.73

[(1)] Operating netbacks are a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A

GENERAL AND ADMINISTRATIVE EXPENSES

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
General and administrative expenses	**926**	210	**1,359**	558
$ per boe	**5.43**	17.05	**7.09**	7.55

General and administrative ("G&A") expenses in the three and six months ended June 30, 2021 were $1.0 million and $1.4 million compared to $0.2 million and $0.6 million in the comparable 2020 periods. The increases in G&A expenses was largely attributable to the expanded employee base and associated growth costs of the organization post Oxbow Acquisition.

DEPLETION, DEPRECIATION AND AMORTIZATION

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Depletion, depreciation and amortization	**2,185**	523	**2,764**	2,266
$ per boe	**12.81**	42.25	**14.43**	30.54

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

DD&A in the second quarter of 2021 was $12.81 per boe, a decrease from $42.25 per boe in the second quarter of 2020. DD&A in the six months ended June 30, 2021 was $14.43 per boe, a decrease from $30.54 in the comparative 2020 period. The decrease in DD&A on a per boe basis in the three and six months ended June 30, 2021 was primarily due to a larger relative increase in the reserve base over the depletable base as a result of the Oxbow Acquisition.

SHARE BASED COMPENSATION

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire common shares of the Company upon exercise. Under the plan, the exercise price of each option shall not be less than the discounted market price of the Company's common shares on the grant date. The options can be granted for a maximum term of 5 years. The options granted vest either as to 25% on the date of grant and 12.5% at the end of every quarter after the grant date or to 10% on the date of grant and 7.5% at the end of every quarter after the grant date. Vesting conditions are determined by the Board of Directors.

For the three months ended June 30, 2021 and 2020, the Company recorded share based compensation of $0.1 million. For the six months ended June 30, 2021, the Company recorded a $0.1 million share based compensation recovery compared to an expense of $0.3 million in the comparable 2020 period. The change in a recovery from an expense is related to a reversal of unvested share-based compensation following employee turnover. No stock options to employees were granted in the three and six months ended June 30, 2021.

FINANCING EXPENSES

Financing expenses for the three and six months ended June 30, 2021 were $2.7 million and $3.8 million compared to $1.1 million and $2.1 million in the comparable 2020 periods. Increases in financing expenses relate primarily to interest on the Senior Term loan and associated amortization on the original issue discount and deferred financing fees.

FOREIGN EXCHANGE

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Realized gain (loss) on foreign exchange	**297**	(495)	**297**	(179)
Unrealized gain (loss) on foreign exchange	**618**	1,452	**603**	(1,242)
Total foreign exchange gain (loss)	**915**	957	**900**	(1,421)

Foreign exchange gains and losses are primarily due to the revaluation of the US denominated Term Notes.

GAIN ON WARRANT EXTINGUISHMENT AND LIABILITY

The Company issued 43,800,000 common share purchase warrants in connection with the Term Notes on June 7, 2021. The warrants have been recognized as part of debt issue costs 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 June 30, 2021, the warrant liability was determined to have a fair value of $3.7 million resulting in a $1.1 million unrealized gain recognized in profit or loss for the six months ended June 30, 2021.

In the second quarter of 2021, the Company cancelled 30,505,122 common share purchase warrants related to the Revolving Notes. 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 cancelation, the warrants were determined to have a fair value of $1.7 million resulting in a $0.7 million unrealized loss recognized in profit or loss for the six months ended June 30, 2021. Upon cancellation, the remaining fair value of $1.7 million was recognized in profit or loss for the six months ended June 30, 2021.

GAIN ON ACQUISITION

On June 7, 2021 the Company completed the Oxbow Acquisition. The Acquisition was completed for total cash consideration of $76.8 million, after closing adjustments, with $2.1 million of transaction costs expensed in earnings. Transaction costs included $1.5 million in fees and commission and $0.6 million in broker compensation options. The Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

(000's)	**June 7, 2021**
Property, plant and equipment	132,897
Asset retirement obligation	(40,213)
Deferred income tax liability	(3,966)
Net assets acquired	88,718
Cash consideration	76,820
Gain on acquisition	(11,898)

The above amounts are estimates, which were made by management at the time of preparation of these condensed interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized through the final statement of adjustments.

The fair value of property, plant and equipment has been derived with reference to an independent third-party prepared reserves evaluation for the acquired properties. The estimated proved and probable oil and natural gas reserve and related cash flows were discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing areas at the time. The fair value of decommissioning obligations was estimated using a credit adjusted risk free rate of 14.5%.

DEFERRED TAXES

For the three and six months ended June 30, 2021, the Company recognized a deferred income tax recovery $4.0 million compared to $nil in the comparative 2020 periods. The income tax recovery in a result of a deferred tax asset recognition which offsets the deferred tax liability recorded net of property plant and equipment in the purchase price of the Oxbow Acquisition.

NET LOSS

For the three and six months ended June 30, 2021, the company realized a net loss of $29.6 million and $31.1 million compared to a net loss of $3.0 million and $2.4 million in the comparable 2020 periods. The changes in net loss primarily relate to losses on commodity contract derivatives, partially offset by increased funds flow and the gain on the Oxbow Acquisition.

CASH FLOW USED IN OPERATING ACTIVITIES AND FUNDS FLOW

The following table reconciles cash flow used in operating activities to funds flow and adjusted funds flow:

($000s, except per boe amounts)	**Three months ended June 30, 2021**	Three months ended June 30, 2020	**Six months ended June 30, 2021**	Six months ended June 30, 2020
Cash flow used in operating activities	**(30,265)**	(954)	**(30,478)**	(961)
Changes in non-cash working capital	**31,623**	425	**31,294**	2,093
Funds flow (1)	**1,358**	(529)	**816**	1,132
Cash transaction costs	**1,526**	-	**1,526**	-
Adjusted funds flow (1)	**2,884**	(529)	**2,342**	1,132

(1) See non-GAAP measures

Cash flow used in operating activities for the three and six months ended June 30, 2021 was $30.3 million and $30.5 million compared to $1.0 million in each of the comparable 2020 periods. The increase in cash flow used in operating activities primarily related to changes in non-cash working capital due to a $21.0 million deposit placed with the Saskatchewan Ministry of Energy and Resources, prepayments of certain expenses related to the Oxbow Acquisition and a net increase in receivables over payables related to higher revenue and operating expenses.

Adjusted funds flow for the three and six months ended June 30, 2021 was $2.9 million and $2.3 million compared to negative $0.5 million and positive $1.1 million in the comparable 2020 periods. The primary reason for the increases was due to the Oxbow Acquisition which resulted in increased additional net operating income partially offset by a second quarter 2021 realized loss on commodity contract derivatives.

CAPITAL RESOURCES AND LIQUIDITY

Senior Term Loan

On June 7, 2021, the Company entered into a $87 million senior secured term loan ("Senior Term Loan") with a private arm's length third party. The Senior Term Loan is secured by a first-priority lien to all of the Company's real and personal assets, property and undertaking. Effective June 7, 2021 and commencing August 31, 2021, the Company is required to make monthly mandatory principal repayments as follows: August 31, 2021 to July 31, 2022 of 4.17% per month; August 31, 2022 to July 31, 2023 of 2.50% per month; and August 31, 2023 to June 7, 2024 of 1.67% per month. All principal repayments are subject to an exit fee of 2.5% of the aggregate principal amount of any such payment. See the commitments and contractual obligations section below for cash payment amounts. Borrowings on 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 stated maturity date of June 7, 2024. As at June 30, 2021, the Senior Term Loan had a total carrying amount of $80.9 million net of unamortized original issue discount and debt issue costs.

The Senior Term Loan is subject to various covenants on the part of the Company. As at June 30, 2021, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The first key financial covenant test period is scheduled for September 30, 2021. The following table summarizes the current key financial covenants as set forth in the credit agreement when the aggregate principal amount of the Senior Term Loan is greater than $24.0 million:

Covenant description	Covenant Ratio
PDP Asset Coverage Ratio Minimum	1.75
Current Ratio Minimum	1.00
First Lien Net Leverage Ratio Maximum	1.75

(1) Means the ratio of (a) the PV10 of Saturn's proved developed producing ("PDP") reserves, to (b) the Senior Term Notes, lease liabilities, Promissory Notes, and Convertible Notes net of cash.

(2) Means the ratio of (a) current assets, to (b) current liabilities; excluding the current portion of the Senior Term Loan and unrealized gain (loss) on derivatives.

(3) Means the ratio of (a) the Senior Term Notes, lease liabilities, Promissory Notes, and Convertible Notes net of cash, to (b) annualized earnings before interest, taxes, depreciation and amortization ("EBITDA").

If the aggregate principal amount of the Senior Term Loan is less than $24.0 million, the above noted key financial covenants are amended and replaced with alternative covenants as disclosed in Note 11 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2021.

Term Notes

On June 7, 2021, Saturn entered into a restated and amended note purchase agreement with Prudential Capital Energy Partners, LP and Prudential Capital Energy Partners Management Fund ("Prudential"), to exchange US$19.7 million drawn on the US$20.0 million secured reserve-based revolving note facility maturing September 22, 2022 ("Revolving Notes") plus accrued and unpaid interest of $2.0 million and replace them with $19.7 million in second priority senior secured cash/PIK term notes ("Cash/PIK Notes") and $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.

The key financial covenants of the Term Notes are dependent on the balance and lien status of the Senior Term Notes. Prior to the discharge of the first lien obligation of the Senior Term Notes and if the aggregate principal balance of the Senior Term loan is greater than $24.0 million, the key financial covenants of the Senior Term Loan align. If the aggregate principal balance of the Senior Term Loan is less than $24.0 million, the covenants are replaced with alternative covenants as disclosed in Note 12 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2021.

Convertible notes

As at June 30, 2021, the Company has a $1.0 million (December 31, 2020 - $1.0 million) and a $0.8 million (December 31, 2020 - $0.8 million) convertible note payable due to a shareholder. Each note bears interest at 5% per annum with a maturity date of September 2022. 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 $0.10 per share for the $1.0 million convertible note and at $0.15 per share for the $0.8 million convertible note.

Promissory notes

As at June 30, 2021 the Company has a note payable to a third party in the amount of $1.0 million (December 31, 2020 - $1.0 million) which bears interest at 8.2% with monthly instalments due in aggregate on March 22, 2022, and a note payable to a shareholder in the amount of $0.8 million (December 31, 2020 - $0.8 million) which bears an interest of 2% and is subordinated until September 2022.

Private Placement

On June 4, 2021, the Company completed a Private Placement for aggregate gross proceeds of $32.2 million issuing 268,333,333 units at a price of $0.12 per unit. Each unit consists of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share at a price of $0.16 per common share for a period of two years from the issue date. As at June 30, 2021, the warrants are fully vested and exercisable. In connection with Private Placements, the Company recorded $5.1 million in share issue costs comprised of $2.0 million in commission and fees and the fair value associated with 14,892,010 broker compensation options issued to brokers and advisors.

Liquidity

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

As at June 30, 2021 and of the date of this MD&A, the Company had 502,907,048 common shares issued and outstanding.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations and commitments as at June 30, 2021:

($CAD000)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	39,907	45,710	1,383	-	87,000
Term Notes [(1)]	-	42,069	-	-	42,069
Interest payments [(2)]	11,464	9,236	16	-	20,716
Promissory Notes	509	823	-	-	1,332
Convertible Notes	-	2,329	-	-	2,329
Lease liabilities [(3)]	1,352	2,082	935	1,422	5,791
Gas processing commitments	943	1,886	1,886	8,093	12,808
	54,175	104,135	4,220	9,515	172,045

(1) Includes the US$ 19.7 million Term Notes plus accrued PIK interest which are scheduled to mature on December 7, 2024 based on June 30, 2021 US to Canadian dollar exchange rate of 1.239.

(2) Represents cash interest payments on scheduled payment dates related to the Senior Term Loan and Term Notes.

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

RISKS AND UNCERTAINTIES

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

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

Liquidity risk

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The majority of the oil and natural gas sales and associated accounts receivable outstanding at June 30, 2021 is related to production from the Company's acquired Oxbow asset. The revenue receivable between close date of June 7, 2021 and June 30, 2021 is contractually obligated to be paid by the seller of the acquired asset to Saturn by September 9, 2021 per the terms of the purchase and sale agreement in connection with the Acquisition.

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

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

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated Term Notes. A ten percent change in the US dollar would have resulted in a $3.4 million change to net loss before tax (2020 – $2.7 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates associated with the periodic outstanding term based on Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by 1% would have changed net loss by approximately $0.1 million during the three months ended June 30, 2021 (2020 – $0.1 million) assuming all other variables remain constant.

Price risk

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

Market Risk

Saturn manages the risks associated with changes in commodity prices by entering into a variety of risk management commodity contracts classified as financial derivatives. The Company assesses the effects of movement in commodity prices on income before tax. A ten percent increase or decrease in commodity prices would have resulted in a $38.2 million change to unrealized gains (losses) on risk management contracts and net loss before tax assuming all other variables remain constant.

The Company had the following outstanding financial derivative commodity contracts as at June 30, 2021:

Commodity	Index	Type	Term	Daily volume	Bought put price (US$/bbl)	Sold call price (US$/bbl)	Swap price ($US/bbl)
WTI Crude Oil	NYMEX	Collar	Jul 1-21 to Jun 30-22	2,511	60.00	64.60	
WTI Crude Oil	NYMEX	Collar	Jul 1-22 to Dec 31-22	2,293	50.00	62.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-23 to Dec 31-23	2,109	50.00	58.15	
WTI Crude Oil	NYMEX	Collar	Jan 1-24 to Dec 31-24	1,893	50.00	55.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-25 to May 31-25	1,757	50.00	54.25	
WTI Crude Oil	NYMEX	Swap	Jul 1-21 to Dec 31-21	2,585			63.78
WTI Crude Oil	NYMEX	Swap	Jan 1-22 to Dec 31-22	2,364			58.85
WTI Crude Oil	NYMEX	Swap	Jan 1-23 to Dec 31-23	2,109			55.50
WTI Crude Oil	NYMEX	Swap	Jan 1-24 to Dec 31-24	1,893			53.51
WTI Crude Oil	NYMEX	Swap	Jan 1-25 to May 31-25	1,757			52.51
WTI MSW Differential (1)	NGX	Swap	Jul 1-21 to Sep 30-21	5,243			6.07
WTI MSW Differential (1)	NGX	Swap	Oct 1-21 to Dec 31-21	5,099			6.07
WTI MSW Differential (1)	NGX	Swap	Jan 1-22 to Mar 31-22	4,943			6.07
WTI MSW Differential (1)	NGX	Swap	Apr 1-22 to Jun 30-22	4,797			6.07
WTI MSW Differential (1)	NGX	Swap	Jul 1-22 to Sep 30-22	4,651			6.07
WTI MSW Differential (1)	NGX	Swap	Oct 1-22 to Dec 31-22	4,522			6.07

(1) Based on weighted average volumes for the period

General Risks

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

Climate Change Risks

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

SUMMARY OF QUARTERLY RESULTS

	2021		2020				2019	
($000s, except per boe amounts)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Petroleum and natural gas revenues	**12,589**	1,322	1,831	2,127	426	3,165	4,454	3,798
Cashflow from (used in) operations	**(30,265)**	(214)	977	835	(954)	(7)	8,505	3,174
Adjusted funds flow	**2,884**	(543)	246	979	(529)	1,661	2,496	1,185
Basic ($/share)	**0.01**	(0.00)	0.00	0.00	(0.00)	0.01	0.01	0.01
Diluted ($/share)	**0.01**	(0.00)	0.00	0.00	(0.00)	0.01	0.01	0.01
Net (loss) income	**(29,597)**	(1,529)	(4,598)	(796)	(3,023)	658	(1,451)	(553)
Basic ($/share)	**(0.10)**	(0.01)	(0.02)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Diluted ($/share)	**(0.10)**	(0.01)	(0.02)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Capital expenditures	**201**	-	74	405	107	542	9,187	4,791
Property acquisitions	**76,820**	-	-	-	-	-	-	-
Total assets	**236,356**	41,783	43,085	44,360	44,834	49,796	48,249	43,634
Net debt	**74,504**	33,600	32,859	24,797	29,907	30,879	28,395	24,797
Common shares outstanding (000s)	**502,907**	234,574	234,574	233,246	233,246	234,574	233,246	234,490
Operational								
Average daily production								
Crude oil (bbls/d)	**1,741**	233	415	499	136	706	753	640
Natural gas (Mcf/d)	**408**	-	-	-	-	-	-	-
NGLs (bbls/d)	**66**	-	-	-	-	-	-	-
Total (boe/d)	**1,875**	233	415	499	136	706	753	640

Between and including the first quarter of 2021 and the third quarter of 2019, Saturn produced an average of 483 boe/d from its Viking Assets in West Central Saskatchewan resulting in revenue between $0.4 million and $4.5 million. The company is exposed to commodity price risk and revenue fluctuates with the benchmark prices accordingly. The Company's capital expenditures within this period were primarily spent in the second half of 2019 where it drilled eight 100% working interest wells which is correlated to the corresponding change in cash flow from operations and resulting Funds flow.

In the second quarter of 2021, the Company completed the Oxbow Acquisition, thereby increasing its production, revenue and asset base. The Acquisition was funded by proceeds from the Senior Term Loan and Private Placements previously discussed in this MD&A. The quarterly sales, pricing, production, net loss, cash flow used in operations and funds flow are discussed in the previous sections of this MD&A.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

CHANGES IN ACCOUNTING POLICIES

Under the Company's previous accounting policy for decommissioning obligations, the estimate of the expenditure required to settle the present obligation at the balance sheet date was recorded on a discounted basis using the pre-tax risk-free interest rate and the future cash flow estimates were adjusted to reflect the risks specific to the liability. In the second quarter of 2021, the Company voluntarily changed its accounting policy to use a credit-adjusted risk-free discount rate and future cash flow estimates will not be adjusted to reflect the risks specific to the liability.

The Company believes the change in discount rate provides reliable and relevant information to the users of the financial statements as the discount rate is consistent with the Company's cost of capital. The change in policy must be applied retrospectively and resulted in property and equipment at December 31, 2020 decreasing by $2.8 million with a corresponding decrease to decommissioning obligations $2.8 million. Deferred income tax, depletion and accretion amounts related to prior periods were not adjusted as any changes were immaterial.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

USE OF ESTIMATES

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

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

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

- The recoverability of accounts receivable and due from related parties which is included in the condensed interim statement of financial position;
- The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the condensed interim statement of financial position;
- The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants;
- Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the condensed interim financial statements of future periods could be material;
- Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the credit-adjusted risk free discount rate used;
- In the determination of fair value for convertible notes, the Corporation uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market

data. In the case of its convertible debenture modifications, where available, the Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry and

- Derivative risk management contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include Black-Scholes option valuation model and forward pricing and swap models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange

NON-GAAP MEASURES

This MD&A includes non-GAAP measures as further described herein. These non-GAAP measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. Management believes that the presentation of these non-GAAP measures provides useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

"Funds flow" represents cash flow from operating activities and adds back changes in non-cash working capital.

"Adjusted funds flow" adjusts funds flow for items outside the scope of operations such as transactions costs and decommissioning expenditures.

"Operating netbacks" are determined by deducting realized derivative commodity contract losses or adding realized derivative commodity contract gains and deducting, royalties, operating expenses and transportation expenses from petroleum and natural gas sales. Operating netbacks are per boe measures used in operational and capital allocation decisions. Presenting operating netbacks on a per boe basis allows management to better analyze performance against prior periods on a comparable basis.

"Net debt" represents cash, accounts receivable, deposits and prepaid expenses, accounts payable and accrued liabilities, Senior Term Loan, Term Notes, Promissory Notes, Convertible Notes and the Revolving Loan.

BOE PRESENTATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

OTHER REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on the SEDAR website at www.sedar.com and the Company's website at www.saturnoil.com.

DIRECTORS AND OFFICERS

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

John Jeffrey	Chief Executive Officer and Director
Scott Sanborn	Chief Financial Officer
Justin Kaufmann	Senior Vice President of Exploration
Stuart Houle	Vice President Engineering
Kevin Smith	Vice President Corporate Development
Ivan Bergerman	Director
Calvin J. Payne	Director
Christopher Ryan	Director
Jim Payne	Director

FORWARD LOOKING INFORMATION

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

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

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