

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

**Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Executive Officer of the Corporation at Suite 1000, 207 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3, telephone (587) 392-7900, and are also available electronically at [www.sedar.com](http://www.sedar.com).

*These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or any state securities laws. Accordingly, these securities may not be offered, sold or delivered within the United States (as such term is defined in Regulation S under the 1933 Act) except in accordance with the Agency Agreement (as defined herein) and pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution”.*

## SHORT FORM PROSPECTUS

New Issue

June 30, 2021

**SATURN OIL & GAS INC.**

**\$32,200,000**

**268,333,333 Units Issuable upon Exercise or Deemed Exercise  
of 268,333,333 Special Warrants**

**17,829,010 Units Issuable upon Exercise  
of 17,829,010 Compensation Special Warrants**

This short form prospectus (the “**Prospectus**”) qualifies the distribution of 268,333,333 units (the “**Units**”) of Saturn Oil & Gas Inc. (“**Saturn**” or the “**Corporation**”) to be distributed, without additional payment, upon the exercise or deemed exercise of 268,333,333 special warrants of the Corporation (the “**Special Warrants**”). The Special Warrants were issued by the Corporation on a private placement basis: (i) pursuant to a non-brokered private placement (the “**Non-Brokered Financing**”) of 153,333,333 Special Warrants at a price of \$0.12 (the “**Offering Price**”) per Special Warrant for gross proceeds of \$18,400,000; and (ii) pursuant to the conversion of 115,000,000 subscription receipts (the “**Subscription Receipts**”) issued at \$0.12 per Subscription Receipt pursuant to a brokered private placement for gross proceeds of \$13,800,000 (the “**Brokered Financing**”). In aggregate the Non-Brokered Financing and the Brokered Financing (together the “**Offerings**”) raised gross proceeds of \$32,200,000. The Special Warrants were issued pursuant to the terms of a special warrant indenture dated June 2, 2021 (the “**Special Warrant Indenture**”) between the Corporation and Computershare Trust Company of Canada (“**Computershare**”), as special warrant agent. The Special Warrants and Subscription Receipts were sold to Canadian purchasers and purchasers in certain other jurisdictions outside of Canada on a private placement basis pursuant to prospectus and registration exemptions under applicable securities laws.

The Brokered Financing was conducted pursuant to an agency agreement (the “**Agency Agreement**”) dated June 4, 2021 among the Corporation, Echelon Wealth Partners Inc. (the “**Lead Agent**”) and Canaccord Genuity Corp. (collectively with the Lead Agent, the “**Agents**”). The Non-Brokered Financing was conducted directly by the Corporation. The terms of the Brokered Financing, including the Offering Price were determined by arm’s length negotiation between the Corporation and the Agents.

Each Unit consists of one Common Share as defined herein (a “**Unit Share**”) and one Common Share purchase warrant (a “**Warrant**”). The Warrants are issuable pursuant to a warrant indenture (the “**Warrant Indenture**”) dated June 2, 2021 between the Corporation and Computershare, as warrant agent. Each Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one

Common Share (a “**Warrant Share**” and together with the Unit Shares and Warrants, the “**Underlying Securities**”) at an exercise price of \$0.16 per Warrant Share until June 4, 2023, being the date that is 24 months from the date of issuance of the Subscription Receipts.

**The Special Warrants and the Units are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Corporation from the distribution of securities under this Prospectus upon the exercise or deemed exercise of the Special Warrants. There is no market through which the Special Warrants may be sold. However, pursuant to the terms of the Special Warrant Indenture, the Special Warrants will be deemed to be exercised following receipt of the Final Receipt (as defined herein).**

The Offering Price and the other terms of the Brokered Financing were determined by arm’s length negotiation between the Corporation and the Lead Agent. See “*Plan of Distribution*”.

	<u>Offering Price</u>	<u>Agents’/Finders Fee<sup>(1)(2)</sup></u>	<u>Net Proceeds to the Corporation<sup>(1)(2)(3)</sup></u>
Per Subscription Receipt .....	\$0.12	\$0.0084	\$0.1116
Per Special Warrant .....	\$0.12	\$0.0053	\$0.1147
Total <sup>(3)(4)</sup> .....	\$32,200,000	\$1,892,401	\$30,307,599

Notes:

- (1) In consideration of the services rendered by the Agents in connection with the Brokered Financing, the Corporation paid to the Agents a cash commission (the “**Agents’ Fee**”) (totalling \$966,000 or \$0.0084 per Subscription Receipt) and issued to the Agents non-transferable broker special warrants (“**Compensation Special Warrants**”) equal to: (i) 7.0% of the number of Subscription Receipts sold under the Brokered Financing. The Lead Agent was also paid a corporate finance fee (the “**Corporate Finance Fee**”) of \$100,000 (plus HST) in connection with the Brokered Financing. Each Compensation Special Warrant entitles the holder to acquire one compensation option (a “**Compensation Option**”) with each Compensation Option entitling the holder to acquire one Unit at the Offering Price for a period of two years from the Closing Date. The Units comprised of the Compensation Option are also being qualified by this Prospectus. See “*Details of the Offering*” and “*Plan of Distribution*”.
- (2) Certain finders were paid a cash commission of 6.0% on certain subscriptions in the Non-Brokered Financing (totalling \$813,401 or \$0.0053 per Special Warrant) as well as Compensation Special Warrants equal to 6.0% of the Special Warrants placed by certain finders (totalling 6,779,010 Compensation Special Warrants) (the “**Finders Fee**”). This Prospectus also qualifies the Compensation Options (as defined below) issuable on exercise of these finders’ Compensation Special Warrants.
- (3) Pursuant to the Agency Agreement, the Corporation also granted the Agents the option (the “**Agents’ Option**”) exercisable in whole or in part, at any time up to 48 hours prior to the Closing Date to increase the size of the Brokered Financing by up to 15%. The Agents’ Option was fully exercised by the Agents prior to closing with the result that a total of 115,000,000 Subscription Receipts were issued on closing of the Brokered Financing, which converted into 115,000,000 Special Warrants on closing the Acquisition (as defined herein).
- (4) After deducting the Agents’ Fee and Corporate Finance Fee but before deducting expenses of the Brokered Financing (including the preparation and filing of this Prospectus to qualify the distribution of the Units), of \$300,000.

The following table sets out the number of securities issuable pursuant to the Compensation Special Warrants:

	<u>Number of Securities</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Agents' Compensation Special Warrants.....	8,050,000	Any time for a period of 24 months following the Closing Date	\$0.12
Alvarez & Marsal Canada Securities ULC Compensation Special Warrants.....	3,000,000	Any time for a period of 24 months following the Closing Date	\$0.12
Finders' Compensation Special Warrants.....	6,779,010	Any time for a period of 24 months following the Closing Date	\$0.12
Total.....	17,829,010	Any time for a period of 24 months following the Closing Date	\$0.12

The Subscription Receipts were issued pursuant to the terms of a subscription receipt agreement (the “**Subscription Receipt Agreement**”) among the Corporation, the Lead Agent and Computershare, as subscription receipt agent. Each Subscription Receipt converted automatically into a Special Warrant upon closing of the Acquisition on June 7, 2021 resulting in the issuance of an aggregate of 115,000,000 Special Warrants to subscribers in the Brokered Financing. The net proceeds of the Brokered Financing, being \$12,636,033.85 (net of the Agents’ Fee, the Corporate Finance Fee, Agents’ expenses and fees of Computershare, as the subscription receipt agent), were released to the Corporation on June 7, 2021 on closing of the Acquisition. The Corporation used the proceeds of the Offerings to pay a portion of the purchase price for the Acquisition and related adjustments. See “*Details of the Offering*”.

Pursuant to the Special Warrant Indenture, each Special Warrant is exercisable, without payment of additional consideration, into one Unit at any time, and all Special Warrants not previously exercised will be deemed to have been exercised at 4:30 p.m. (Calgary time) (the “**Deemed Exercise Time**”) on the earlier of: (i) the date that is no later than the fifth business day after the date on which a receipt (the “**Final Receipt**”) is issued for the final prospectus of the Corporation qualifying the distribution of the Units (the “**Final Prospectus**”) in each of the provinces of Canada, other than Québec (the “**Qualifying Provinces**”); and (ii) October 5, 2021 (the “**Deemed Exercise Date**”). Pursuant to the Agency Agreement, the Corporation has agreed to use its commercially reasonable efforts to prepare and file with the securities commissions in each of the Qualifying Provinces this Prospectus qualifying the distribution of the Units in the Qualifying Provinces by June 30, 2021 (the “**Penalty Date**”). If the Final Receipt is not received on or before the Penalty Date, each holder of a Special Warrant shall be entitled to receive, without payment of additional consideration, 1.2 Units per Special Warrant (instead of 1.0 Unit per Special Warrant) (the “**Penalty Provision**”) upon the exercise or deemed exercise of the Special Warrants (the additional 0.2 of a Unit to be issued upon the exercise or deemed exercise of each Special Warrant after the Penalty Date are collectively referred to as the “**Additional Units**”). This Prospectus also qualifies the distribution of the Unit Shares and Warrants comprising the Additional Units issuable pursuant to the Penalty Provision, if applicable. Unless the context otherwise requires, all references herein to the “Offering”, “Units”, “Unit Shares”, “Warrants”, and “Warrant Shares” shall include any securities that may be issued in connection with the Penalty Provisions and Agents’ Options. See “*Plan of Distribution*”.

Each Compensation Special Warrant will be exercisable into one Compensation Option, for no additional consideration, at any time after the Closing (as defined herein), and each Compensation Special Warrant

not previously exercised shall be deemed exercised on the earlier of (i) the day after the Final Receipt is issued for the Final Prospectus and (ii) the date that is four months and one day following the Closing. Each Compensation Option shall entitle the holder thereof to purchase one Unit (on the same terms as the Units above) at an exercise price of \$0.12 at any time up to 24 months following the Closing.

In connection with the Acquisition, 3,000,000 Compensation Special Warrants were also issued to the Corporation's financial advisor, Alvarez & Marsal Canada Securities ULC. This Prospectus qualifies the securities issuable upon exercise of all Compensation Special Warrants issued in connection with the Offerings and the Acquisition (totalling 17,829,010 Compensation Special Warrant).

**Any Underlying Securities issued upon the exercise of Special Warrants prior to the issuance of the Final Receipt will be subject to the relevant hold periods under applicable securities legislation.**

The issued and outstanding Common Shares are listed and posted for trading on the TSX Venture Exchange (the "TSXV") under the symbol "SOIL". The Corporation has applied to list the Unit Shares, Warrants and Warrant Shares on the TSXV. The TSXV has granted conditional approval for the listing of the Underlying Securities, such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. On May 11, 2021 and June 10, 2021, the last trading days before the public announcement of the Offerings and the Acquisition and the date of this Prospectus, respectively, the closing price of the Common Shares on the TSXV was \$0.11 and \$0.16, respectively.

**There is currently no market through which the Special Warrants or Warrants may be sold and purchasers may not be able to resell Special Warrants or Warrants. This may affect the pricing of the Special Warrants or Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Special Warrants or Warrants and the extent of issuer regulation. See "Risk Factors".**

Except in certain limited circumstances, the Special Warrants have been issued in uncertificated form through the non-certificated inventory ("NCI") system of CDS (as defined herein) in "book based" form and registered in the name of CDS or its nominee. Except in certain limited circumstances, no certificates evidencing the Special Warrants have been or will be issued to subscribers under the Offerings, and registration of these Special Warrants was only through the depositary services of CDS. Upon exercise or deemed exercise of the Special Warrants, except in certain limited circumstances, evidence of ownership of the Underlying Securities will be issued in uncertificated form through the NCI system of CDS, and registered in the name of CDS or its nominee and deposited with CDS on or about the date of exercise or the Deemed Exercise Date. Except in certain limited circumstances, holders of such Underlying Securities will receive only a customer confirmation from the CDS participant through whom a beneficial interest in the Underlying Securities is registered.

**An investment in the securities of the Corporation is subject to certain risks inherent in the Corporation's involvement in the exploration for, and the acquisition, development and production of, crude oil and natural gas reserves. The risk factors identified under the headings "Risk Factors" and "Special Note Regarding Forward-Looking Statements" in this Prospectus, under the heading "Risk Factors" in the AIF (as defined herein), and under the heading "Business Risks" in the Annual MD&A (as defined herein), should be carefully reviewed and evaluated by prospective subscribers before purchasing the Corporation's securities.**

Calvin Payne, a director of the Corporation, resides outside of Canada. Mr. Payne has appointed the Corporation as his agent for service of process at its head office address, listed below. Holders of the Underlying Securities are advised that it may not be possible for purchasers to enforce judgments

obtained in Canada against any individual who resides outside of Canada, even if the party has appointed an agent for service of process.

Certain legal matters in connection with the Offerings and this Prospectus have been reviewed on behalf of the Corporation by Dentons Canada LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP.

The Corporation's head office is located at Suite 1000, 207 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3. Its registered office is Suite 800, 230 22<sup>nd</sup> Street E., Saskatoon, Saskatchewan, S7K 0E9.

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## SELECTED DEFINITIONS

In this Prospectus, the following terms have the meanings set forth below.

“**1933 Act**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Acquisition**” means the proposed acquisition of the Assets from the Vendor pursuant to the Acquisition Agreement;

“**Acquisition Agreement**” means the purchase and sale agreement between the Corporation, and the Vendor dated May 12, 2021;

“**Agency Agreement**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Agents**” has the meaning ascribed thereto on the face page of this Prospectus;

“**AIF**” means the annual information form of the Corporation for the year ended December 31, 2020 dated April 30, 2021;

“**Annual MD&A**” means the management’s discussion and analysis of the financial condition and operating results of the Corporation for the years ended December 31, 2020 and 2019 dated April 30, 2021;

“**Assets**” means the petroleum and natural gas rights, interests and related assets located in Saskatchewan to be acquired by the Corporation from the Vendor pursuant to the terms of the Acquisition Agreement;

“**BAR**” means the amended and restated business acquisition report of the Corporation in respect of the Acquisition, dated June 30, 2021;

“**Board**” means the board of directors of the Corporation as it may be comprised from time to time;

“**Brokered Financing**” has the meaning ascribed thereto on the face page of this Prospectus;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Closing**” means the closing of the Offerings;

“**Closing Date**” means the date of closing of the Brokered Financing of June 4, 2021;

“**COGE Handbook**” means the Canadian Oil and Gas Evaluation Handbook;

“**Common Shares**” means common shares in the capital of the Corporation;

“**Computershare**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Consolidation**” means the consolidation of the Common Shares on the basis of one post-consolidated Common Shares for every twenty pre-consolidated Common Shares, expected to occur in July, 2021;

“**Corporation**” or “**Saturn**” has the meaning ascribed thereto on the face page of this Prospectus;

“**CRA**” means the Canadian Revenue Agency;

“**CSA Staff Notice 51-324**” means Staff Notice 51-324 – *Glossary to 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“**Deposit**” has the meaning ascribed thereto under “*The Acquisition – General*”;

“**IFRS**” means International Financial Reporting Standards issued by the International Accounting Standards Board for publicly accountable enterprises, or such other generally accepted accounting principles and practices applied in Canada from time to time;

“**Information Circular**” means the management information circular of the Corporation dated May 20, 2021 with respect to the annual general and special meeting of the shareholders of the Corporation to be held on June 22, 2021;

“**Lead Agent**” means Echelon Wealth Partners Inc.;

“**NCI**” has the meaning ascribed thereto on the face page of this Prospectus;

“**NI 41-101**” means National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators, as amended or replaced from time to time;

“**NI 44-101**” means National Instrument 44-101 – *Short Form Prospectus Distributions* of the Canadian Securities Administrators, as amended or replaced from time to time;

“**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

“**Non-Brokered Financing**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Offering Price**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Offerings**” means, collectively, the Non-Brokered Financing and the Brokered Financing;

“**Option Plan**” means the Corporation’s existing stock option plan;

“**Penalty Date**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Resident Holder**” is a holder of Special Warrants who, for purposes of the Tax Act, is resident in Canada;

“**Rule 144A**” has the meaning ascribed thereto under “*Plan of Distribution*”;

“**Ryder Scott**” means Ryder Scott Company-Canada, an independent oil and gas reserves evaluator;

“**Ryder Scott Report**” means the independent engineering report dated June 30, 2021 and effective April 1, 2021 prepared by Ryder Scott in accordance with COGE guidelines in connection with the Acquisition;

“**Second Secured Loan**” has the meaning ascribed thereto under “*Recent Developments*”;

“**Senior Secured Term Loan**” has the meaning ascribed thereto under “*Recent Developments*”;

“**Special Warrant Agent**” means Computershare, in its capacity as warrant agent in respect of the Special Warrants at its principal office in Vancouver, British Columbia;

“**Special Warrant Indenture**” means the special warrant indenture dated June 2, 2021, entered into between the Corporation and the Special Warrant Agent, and governing the terms and conditions of the Special Warrants;

“**Special Warrants**” means the Special Warrants issued pursuant to the Non-Brokered Financing, and issued upon conversion of the Subscription Receipts in connection with the closing of the Acquisition pursuant to the Brokered Financing, such Special Warrants exercisable for one Unit in accordance with the terms of the Special Warrant Indenture;

“**Subscription Receipt Agreement**” means the agreement dated the Closing Date among the Corporation, the Lead Agent and Computershare governing the terms of the Subscription Receipts;

“**Subscription Receipt Beneficial Owner**” has the meaning ascribed thereto under “*Details of the Offering – Book-Entry Only System*”;

“**Subscription Receipt Certificates**” has the meaning ascribed thereto under “*Details of the Offering – Book-Entry Only System*”;

“**Subscription Receipts**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

“**TSXV**” has the meaning ascribed thereto on the face page of this Prospectus;

“**United States**” or “**U.S.**” has the meaning ascribed thereto in Regulation S under the 1933 Act;

“**Unit Share**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Units**” has the meaning ascribed thereto on the face page of this Prospectus;

“**Vendor**” means the arm’s length vendor of the Assets;

“**Warrant Share**” has the meaning ascribed thereto on the face page of this Prospectus; and

“**Warrants**” has the meaning ascribed thereto on the face page of this Prospectus.

Words importing the singular number include the plural, and vice versa, and words importing any gender include all genders.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Prospectus, and in certain documents incorporated by reference into this Prospectus, constitute forward-looking statements. All forward-looking statements are based on the Corporation’s belief and assumptions based on information available at the time the assumption was made. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference

into, this Prospectus should not be unduly relied upon. The reports of BDO Canada LLP incorporated by reference in this short form prospectus refer exclusively to the historical financial statements described therein and do not extend to the prospective financial information included in this short form prospectus and should not be read to do so.

In particular, this Prospectus and the documents incorporated by reference herein contain forward-looking statements pertaining to, but not limited to, the following:

- the Corporation's use of the balance of proceeds of the Offerings after payment for the Acquisition;
- the anticipated date of receipt of the Final Receipt;
- the impact of the Acquisition on the Corporation's operations, reserves, inventory and opportunities, financial condition, access to capital and overall strategy;
- the ability to service the Senior Secured Term Loan in connection with the Acquisition, including the timing thereof;
- the listing on the TSXV of the Underlying Securities;
- expectations with respect to production, operating netbacks, decline rates, development capital and free funds flow relating to the Assets;
- expectations with respect to Saturn's future operating netbacks and other financial results following completion of the Acquisition;
- capacity of infrastructure;
- anticipated operational results for 2021 including, but not limited to, estimated or anticipated production levels, net debt, capital expenditures, drilling plans and other information discussed under "Recent Developments" in this Prospectus;
- reserve life indexes;
- the performance characteristics of the Corporation's oil and natural gas properties and of the oil and natural gas properties comprising the Assets;
- the quantity of the Corporation's oil and natural gas reserves and anticipated future cash flows from such reserves;
- the Corporation's capital expenditures, including the timing and results thereof;
- the quantity of the oil and gas reserves associated with the Assets and anticipated future cash flows from such reserves;
- the source of funding for the Corporation's activities including development costs;
- projections of commodity prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;
- treatment under governmental regulatory regimes and tax laws;
- expected production rates;
- fluctuations in depletion, depreciation, and accretion rates;
- expected changes in regulatory regimes in respect of royalty curves and regulatory improvements and the effects of such changes; and
- Saturn's business and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below, elsewhere in this Prospectus and in the documents incorporated by reference herein:

- the use of the balance of proceeds of the Offerings by the Corporation may change if the Board determines that it would be in the best interests of the Corporation to deploy the proceeds for some other purpose;
- failure to realize the anticipated benefits of acquisitions (including the Acquisition);
- volatility in market prices for oil and natural gas;
- operational risks and liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- changes in royalty regimes;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Acquisition);
- unforeseen difficulties in integrating the Assets or other assets acquired through additional acquisitions into the Corporation's operations;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- general business and market conditions;
- the accuracy of oil and gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- the uncertainties in regard to the timing of Saturn's exploration and development program;
- fluctuations in the costs of borrowing;
- political or economic developments;
- ability to obtain regulatory approvals;
- the results of litigation or regulatory proceedings that may be brought against the Corporation;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under "*Risk Factors*" herein and in the AIF and under the heading "*Business Risks*" in the Annual MD&A.

In addition, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

There are numerous uncertainties inherent in estimating quantities of oil and natural gas and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth herein, in the AIF and in the BAR are estimates only. In general, estimates of economically recoverable oil and natural gas and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves and resources recovery, timing and amount of capital investments, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For these reasons, estimates of the economically recoverable oil and natural gas attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different evaluators, or by the same evaluators at different times, may vary. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to its reserves will vary from estimates thereof and such variations could be material.

This Prospectus contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") about the Corporation's prospective cash flows, operating costs and operating netbacks, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as

set forth in the above paragraphs. FOFI contained in this Prospectus was made as of the date of this Prospectus and was provided for the purpose of describing the anticipated effects of the Offerings and the Acquisition on the Corporation's business operations. The Corporation disclaims any intention or obligation to update or revise any FOFI contained in this Prospectus, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this Prospectus should not be used for purposes other than for which it is disclosed herein. See "*Risk Factors*".

With respect to forward-looking statements contained in this Prospectus, the Corporation has made assumptions regarding, among other things: that commodity prices will be consistent with the current forecasts of its engineers; field netbacks; average production rates; costs to drill, complete and tie-in wells; ultimate recovery of reserves; royalty regimes will not be subject to material modification; that the Corporation will be able to obtain skilled labour and other industry services at reasonable rates; that the timing and amount of capital expenditures and the benefits therefrom will be consistent with the Corporation's expectations; the impact of increasing competition; that the conditions in general economic and financial markets will not vary materially; that the Corporation will be able to access capital, including debt, on acceptable terms; that drilling, completion and other equipment will be available on acceptable terms; that government regulations and laws will not change materially; that royalty rates will not change in any material respect; and that future operating costs will be consistent with the Corporation's expectations.

The Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this Prospectus in order to provide investors with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. Forward-looking statements contained in certain documents incorporated by reference into this Prospectus are based on the key assumptions and are subject to the risks described herein and in the documents incorporated by reference. The reader is cautioned that such assumptions, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect.

**These factors should not be construed as exhaustive. The forward-looking statement disclosure contained in this Prospectus, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement.** These forward-looking statements are made as of the date of this Prospectus, or in the case of the documents incorporated by reference herein, as of the dates of such documents. Unless required by law, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## CONVENTIONS

Certain terms used herein are defined in the "*Selected Definitions*". Certain other terms used herein but not defined herein are defined in NI 51-101 and CSA Staff Notice 51-324 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and CSA Staff Notice 51-324. All financial information herein has been presented in Canadian dollars in accordance with IFRS. Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. **All dollar amounts set forth in this Prospectus are in Canadian dollars, except where otherwise indicated.**

## NON-IFRS MEASURES

This Prospectus contains terms commonly used in the oil and natural gas industry, including operating netback and net operating income. These terms are not defined by IFRS and therefore may not be

comparable to similar measures presented by other companies. Readers are cautioned that these non-IFRS measure should not be construed as an alternative to other measures of financial performance calculated in accordance with IFRS. These non-IFRS measures provides additional information that management believes is meaningful in describing the Assets' and the Corporation's operational performance, liquidity and capacity to fund capital expenditures and other activities. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices. Our method of calculating this measure may differ from other companies and accordingly, it may not be comparable to measures used by other companies. Operating netback equals total petroleum and natural gas sales less royalties and operating costs calculated on a per bbl or per boe basis using the Corporation's commodity price forecast. Net operating income does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. The Corporation calculates net operating income as: petroleum sales (before realized hedging gains or losses on derivative instruments) less royalties, operating and transportation costs. Refer to "*The Acquisition – Benefits of the Acquisition*" for a discussion of how operating netback and net operating income are calculated.

### CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.315
Bbls	cubic metres	0.159
cubic metres	Bbls	6.289
Feet	Metres	0.305
Metres	Feet	3.281
Miles	kilometres	1.609
Kilometres	Miles	0.621
Acres	hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

### ABBREVIATIONS

<u>Oil and Natural Gas Liquids</u>		<u>Natural Gas</u>	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Bbls/d	barrels per day	Bcf	billion cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	thousand stock tank barrels of oil	MMbtu	million British Thermal Units
NGLs	natural gas liquids	GJ	Gigajoule
<b>Other</b>			
API	American Petroleum Institute		

°API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE or boe	barrel or barrels of oil equivalent, using the conversion factor of 6 Mcf of natural gas being equivalent to one barrel of oil
boe/d	barrels of oil equivalent per day
\$US	United States dollars
Mboe	thousand barrels of oil equivalent.
MMboe	million barrels of oil equivalent
RLI	reserve life index
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade
\$000s	thousands of dollars
\$MM	millions of dollars

### **CURRENCY EXCHANGE RATE DATA**

The following table sets out the high and low rates of exchange for one U.S. dollar expressed in Canadian dollars during each of the following periods, the average rate of exchange for those periods and the rate of exchange in effect at the end of each of those periods, each based on the rate of exchange published by the Bank of Canada for conversion of U.S. dollars into Canadian dollars.

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Highest rate during the period .....	C\$1.45	C\$1.36	C\$1.36
Lowest rate during the period .....	C\$1.27	C\$1.30	C\$1.23
Average rate for the period .....	C\$1.34	C\$1.33	C\$1.30
Rate at the end of the period .....	C\$1.27	C\$1.30	C\$1.36

On June 29, 2021, the rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals C\$1.2384.

### **PRESENTATION OF OIL AND GAS RESERVES AND PRODUCTION INFORMATION**

#### **Caution Respecting Reserves Information**

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed oil and natural gas reserves does not represent the fair market value of these reserves.

#### **Caution Respecting BOE**

In this Prospectus, the abbreviation boe means a barrel of oil equivalent on the basis of 1 boe to 6 Mcf of natural gas when converting natural gas to boes. Boes may be misleading, particularly if used in isolation.

**A boe conversion ratio of 6 Mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading.**

## **Reserves**

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, specifically the forecast prices and costs, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates as follows:

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

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

The qualitative certainty levels referred to in the definitions above are applicable to “individual reserves entities” (which refers to the lowest level at which reserves calculations are performed) and to “reported reserves” (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories as follows:

**“Developed reserves”** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing as follows:

- **“developed producing reserves”** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing

or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

- **“developed non-producing reserves”** are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown; and

**“Undeveloped reserves”** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator’s assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

### **Interests in Reserves, Production, Wells and Properties**

**“Gross”** means: (i) in relation to an issuer’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation; (ii) in relation to wells, the total number of wells in which an issuer has an interest; and (iii) in relation to properties, the total area of properties in which an issuer has an interest.

**“Net”** means: (i) in relation to an issuer’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves; (ii) in relation to an issuer’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of their gross wells; and (iii) in relation to an issuer’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

**“Working interest”** means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner, Crown or freehold, which interest gives the Corporation the right to “work” the property (lease) to explore for, develop, produce and market the leased substances.

### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in certain of the provinces of Canada.** Copies of the documents incorporated by reference herein may be obtained on request without charge from the Chief Executive Officer of the Corporation at Suite 1000, 207 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3, telephone 587-392-7900. These documents are also available through the internet on the System for Electronic Document Analysis and Retrieval (**“SEDAR”**), which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions or similar authorities in certain of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus, provided that such documents are not incorporated by reference to the extent that their

contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated by reference in this Prospectus:

1. the AIF;
2. the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor's report thereon;
3. the Annual MD&A;
4. the material change report of the Corporation dated June 9, 2021 in respect of the completion on June 2, 2021, June 4, 2021 and June 7, 2021, respectively of: (a) the Non-Brokered Financing; (b) the Brokered Financing; and (c) the closing of the Acquisition by the Corporation;
5. the amended and restated material change report of the Corporation dated June 30, 2021 in respect of the announcement of the Acquisition and the Senior Secured Term Loan;
6. the amended and restated BAR dated June 30, 2021 in respect of the Acquisition;
7. the unaudited condensed interim financial statements ("**Interim Financial Statements**") of the Corporation for the three months ended March 31, 2021 and 2020, together with the notes thereto;
8. the management's discussion and analysis of the financial condition and operating results of the Corporation for the three months ended March 31, 2021 and 2020;
9. the Information Circular for the 2021 special meeting of shareholders; and
10. the information circular dated May 11, 2020 for the annual, general and special meeting of shareholders of the Corporation, held on June 12, 2020.

Any documents of the type required by NI 44-101 to be incorporated by reference in a short form Prospectus including any material change reports (excluding material change reports filed on a confidential basis), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials (as such term is defined in NI 41-101) and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Prospectus are deemed to be incorporated by reference in this Prospectus.

**Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.**

## THE CORPORATION

The Corporation was incorporated under the laws of British Columbia on August 16, 2001 as “Saturn Ventures Inc.”. On May 28, 2003 and December 8, 2016, respectively, the Corporation amended its articles to change its name to “Saturn Minerals Inc.” and subsequently to “Saturn Oil & Gas Inc.”. In January 2017, the Corporation changed its strategic direction from a mining and mineral exploration company to an entity focused on the acquisition and development of oil and gas assets and the subsequent successful production of hydrocarbon from properties in the Western Canadian Sedimentary Basin, and accordingly was continued into the Province of Saskatchewan on December 17, 2018. The Corporation is engaged in the business of acquisition and development of oil and gas assets in West-Central Saskatchewan.

Saturn’s corporate headquarters are at Suite 1000, 207-9<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 1K3. Its registered office is Suite 800, 230 – 22<sup>nd</sup> Street E., Saskatoon SK, S7K 0E9. Since May 3, 2004, the Common Shares of the Corporation are listed on the TSXV and currently trade under the symbol “SOIL”.

### Intercorporate Relationships

The Corporation does not have any subsidiaries.

## BUSINESS OF THE CORPORATION

Saturn is a growth oriented, exploration focused oil and gas company focused on the acquisition and development of undervalued, low risk assets. The Corporation is involved in the production, exploration and development of its Viking light oil assets and Success heavy oil assets in West-Central Saskatchewan. For further information on the Corporation and its business activities, see the AIF which is incorporated by reference herein.

## RECENT DEVELOPMENTS

On June 7, 2021, the Corporation completed the Acquisition (as discussed below) and entered into the Senior Secured Term Loan and Second Secured Loan (as discussed below).

### *Senior Secured Term Loan*

On June 7, 2021 the Corporation completed the Acquisition as detailed in the BAR. In connection with the Acquisition, the Corporation also entered into a new senior secured credit facility with a new lender (the “**Senior Secured Term Loan**”) for proceeds of \$87 million. The Senior Secured Term Loan bears interest at a rate of CDOR + 11.5% and will amortize over three years, with 50% repayable in the first year, 30% in the second year and 20% in the final year. The financial covenants contained in the Senior Secured Term Loan are as follows:

(a) The Corporation shall not permit at any time:

(i) Liquidity. Liquidity (as defined in the Senior Secured Term Loan) to be in an amount less than \$1,000,000;

(ii) PDP Asset Coverage Ratio. Commencing with the fiscal quarter ending September 30, 2021, the PDP Asset Coverage Ratio (as defined in the Senior Secured Term Loan), as of the last day of any fiscal quarter for which financial statements are available, to be less than 1.75 to 1.00;

(iii) General and Administrative Costs. Beginning with the 2021 calendar year, the General and Administrative Costs (as defined in the Senior Secured Term Loan) for such calendar year to exceed \$4,500,000; provided, that for the 2021 calendar year, only the General and Administrative Costs attributable to the period from and including the Closing Date (as defined in the Senior Secured Term Loan) through and including December 31, 2021 shall be included in such calculation;

(iv) First Lien Net Leverage Ratio. As of the last day of any Test Period (as defined in the Senior Secured Term Loan), commencing with the Fiscal Quarter (as defined in the Senior Secured Term Loan) ending June 30, 2021, the First Lien Net Leverage Ratio (as defined in the Senior Secured Term Loan) to be greater than 1.75 to 1.00; and

(v) Current Ratio. As of the last day of any Fiscal Quarter (as defined in the Senior Secured Term Loan), beginning with the Fiscal Quarter ending June 30, 2021, the Current Ratio (as defined in the Senior Secured Term Loan) to be less than 1.00 to 1.00.

(b) The Corporation shall not permit at any time when the aggregate principal amount of the loans outstanding under the Senior Secured Loan are less than \$24,000,000:

(i) Total Leverage Ratio. The ratio of (i) Consolidated Net Debt (as defined in the Senior Secured Term Loan) at such time to (ii) Consolidated EBITDA (as defined in the Senior Secured Term Loan) for the period of four fiscal quarters most recently ended, to be greater than 3.00 to 1.00; and

(ii) Asset Coverage (Total Debt). As of the end of any Fiscal Quarter, the ratio of (i) PV10 (as defined in the Senior Secured Term Loan) as of such time to (ii) Consolidated Net Debt at such time, to be less than 1.20 to 1.00.

#### *Second Secured Loan*

In connection with the Acquisition and the entering into of the Senior Secured Term Loan, the Corporation's previous revolving loan has been subordinated and restated as a second secured loan note (the "**Second Secured Loan**"). The Corporation had been in default under certain financial covenants under its revolving loan as at December 31, 2020. However, in connection with entering the restated Second Secured Loan agreement on June 7, 2021, the Corporation is no longer in default of the new covenants contained therein and the prior defaults have been waived. The Second Secured Loan covenants are tied to the Senior Secured Term Loan until such time as the Senior Secured Term Loan has less than \$24,000,000 outstanding, at which time the following covenants will apply:

(a) Prior to the discharge of Senior Secured Term Loan security the Corporation will not permit, at any time when the aggregate principal amount outstanding under the Senior Secured Term Loan is less than Cdn. \$24,000,000, but prior to the discharge of the security under the Senior Secured Term Loan:

(i) Total Leverage Ratio - the ratio of (i) Consolidated Net Debt at such time to (ii) Consolidated EBITDA as of the last day of any four consecutive fiscal quarters ended prior to the date of such calculation, to be greater than 3.50 to 1.00; and

(ii) Asset Coverage (Total Debt) - as of the end of any fiscal quarter, the ratio of (i) PV10 as of such time to (ii) Consolidated Net Debt as of such time, to be less than 1.00 to 1.00.

(b) After the discharge of Senior Secured Term Loan security the following covenants will apply:

- (i) Total Leverage Ratio - the ratio of (i) Indebtedness at such time to (ii) EBITDAX (as defined in the Second Secured Loan) for the period of four fiscal quarters most recently ended, to be greater than 3.50 to 1.00;
- (ii) Interest Coverage - as of the end of any fiscal quarter, for the period of four fiscal quarters most recently ended, the ratio of (i) EBITDAX for such period to (ii) Financing Charges (as defined in the Second Secured Loan) for such period, to be less than 2.25 to 1.00; and
- (iii) Asset Coverage - as of the end of any fiscal quarter, the ratio of (i) Adjusted PV10 (as defined in the Second Secured Loan) as of such time to (ii) Indebtedness (as defined in the Second Secured Loan) as of such time, to be less than 1.35 to 1.00 (for the purposes of this calculation, Indebtedness shall exclude the Subordinated Debenture Obligations (as defined in the Second Secured Loan)).

The Senior Secured Loan and Second Secured Loan contain cross default provisions where a default under one agreement results in a default under then other.

Each of the Senior Secured Term Loan and Second Secured Loan agreements have been filed on SEDAR under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

On June 22, 2021, the shareholders of the Corporation approved the Consolidation. The Consolidation is expected to occur in July, 2021.

## **THE ACQUISITION**

### **General**

On May 13, 2021, the Corporation entered into the Acquisition Agreement providing for the Acquisition. Pursuant to the Acquisition Agreement, the Corporation has agreed to acquire the Assets for cash consideration of approximately \$93 million (subject to customary closing adjustments). Closing of the Acquisition occurred on June 7, 2021, with an effective date of April 1, 2021. See "*The Assets*" for further information on the Assets.

A copy of the Acquisition Agreement has been filed by the Corporation on SEDAR and may be viewed under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

The Corporation funded the purchase price for the Acquisition with the proceeds of the Offerings and the Senior Secured Term Loan. See "*Use of Proceeds*".

For further information, please see the BAR which is incorporated by reference in this Prospectus and is available under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Benefits of the Acquisition**

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. The Assets produce primarily from the Frobisher and Midale formations and feature a sizeable inventory of targets for workover, development and optimization.

The Acquisition is aligned with Saturn's strategy to become a premier, publicly traded light oil producer through the acquisition and development of undervalued, low-risk opportunities to build a strong portfolio

of cash flowing assets with strategic development upside. Acquisition highlights and anticipated associated benefits include:

- Attractive purchase price with material asset expansion;
- Conventional multi-zone asset base with large, identified low-risk drilling inventory and significant workover opportunities;
- Highly productive wells with strong operating netbacks and free cash flow profile;
- Potential to further lower operating costs related to operational synergies associated with Saturn’s existing assets, and increased flexibility for the Saturn with respect to capital deployment;
- Strong infrastructure position with multiple sales points and capacity for future growth;
- Increase by more than 21 times the production volumes of Saturn’s year-end 2020 production volumes from 325 boe/d to 7,025 boe/d pro-forma the acquisition; and
- The Acquisition materially enhances the Corporation’s disclosed reserves. Based on the Ryder Scott Report, the Acquisition Increases the Corporation’s proved developed producing (“PDP”) reserves by more than 34 times over Saturn’s stand-alone year end 2020 reserves (December 31, 2020 PDP of 694 MBOE and pro-forma the acquisition 24,794 MBOE; and

#### ***Asset Summary and Reserves***

Purchase Price	\$93 million
Production	6,700 boe/d
Annual decline rate <sup>(1)</sup>	~12%
Land	~280,000 net acres (450 net sections)
Forecast 2021 average operating netback (strip) <sup>(2)</sup>	\$28.00/boe
Forecast future 12 month Net Operating Income <sup>(3)</sup>	\$62-67 million
Forecast future 12 month Capex <sup>(4)</sup>	\$5 million
Reserves <sup>(5)</sup>	
PDP Reserves	24.10 mmboe
Total Probable Producing Reserves	4.01 mmboe
Total Proved + Probable Producing Reserves	28.11 mmboe

#### ***Key Purchase Price and Acquisition Metrics***

Estimated Production Cost (at April 1, 2021) <sup>(6)</sup>	\$14,000/boe/d
Estimated PDP Reserves Cost <sup>(7)</sup>	\$3.86/boe

Notes:

- (1) Decline rate based on the Ryder Scott Report, 2021 to 2022 projected decline rate. See “*Presentation Of Oil And Gas Reserves And Production Information - Caution Respecting Reserves Information*”.
- (2) The estimated operating netback was derived using estimated go-forward royalties and operating costs utilizing May 5, 2021 strip pricing which averages US\$64.29/bbl; an MSW/WTI differential of US\$5.00/bbl; an AECO price of \$2.80/GJ; and a USD/CAD exchange rate of \$1.23 all for the forecasted 12-month period from the Effective Date of April 1, 2021. The operating cost and royalty utilized for the operating netback calculation is \$26.49/boe and \$7.53/boe (or 11.75% of oil and gas revenue), respectively. See “*Non-IFRS Measures*” for additional details.
- (3) 12 month future net operating income based on the Ryder Scott Report and Ryder Scott’s future price deck.
- (4) The Corporation anticipates spending approximately \$5 million on maintenance capital expenditures over the next twelve months. The Corporation’s \$5 million capital expenditure budget will be allocated towards workovers/recompletions on

recently acquired inactive/suspended wellbores. These operations include but are not limited to scab liners, acidization, perforations and equipment changes. The capital expenditure budget is forecasted to be spent between June 2021 and November, 2021, with an average of 22 well interventions per month. These operations and capital expenditures are projected to maintain current production levels of the Asset. The Corporation anticipates having sufficient capital from its net operating income and its current working capital to fund these expected amounts.

- (5) Obtained from the Ryder Scott Report. Not including developed non-producing and undeveloped reserves which were not contained in the Ryder Scott evaluation. Working interest before royalty reserves, Ryder Scott price deck.
- (6) Calculated by dividing the purchase price of the Assets by production of 6,700 boe/d.
- (7) Calculated by dividing the purchase price of the Assets by total proved reserves (BOE) acquired.

### **NOTE TO READER REGARDING RESERVES INFORMATION**

The Reserves information contained in this final prospectus (including the documents incorporated by reference herein) is based on the Ryder Scott Report. Readers are cautioned that the preliminary prospectus (the “**Preliminary Prospectus**”) of the Corporation dated June 11, 2021 contained reserves information prepared by management of the Corporation and audited by Ryder Scott, and was deemed to have not been prepared in accordance with NI 51-101 and COGEH guidelines. Accordingly, the reserves information set forth in the Preliminary Prospectus is superseded and replaced in its entirety by the reserves disclosure set out herein, which is based on the Ryder Scott Report.

It should be noted that the Ryder Scott Report has only been prepared in respect of the proved and probable developed producing reserves in respect of the Acquisition. The Acquisition has the effect of increasing the Corporation’s proved developed producing reserves by 24,100 MBOE (more than 34 times) from December 31, 2020. Proved non-producing and proved undeveloped reserves have not been included in the Ryder Scott Report or the reserves disclosure contained herein. As stated above the Corporation anticipates spending the majority of its capital in the next twelve months on workovers and recompletions and not towards drilling on any of its undeveloped locations. No undeveloped locations have been assessed in the Ryder Scott Report and there have been no reserves or recoverable volumes attributed thereto.

Readers should disregard the reserves information contained in the Preliminary Prospectus in respect of the Acquired Assets and rely solely on the reserves information disclosed herein or incorporated herein by reference.

### **THE ASSETS**

The BAR, incorporated by reference herein, contains detailed reserves and financial information with respect to the Assets.

### **DESCRIPTION OF SHARE CAPITAL**

As of the date hereof, Saturn is authorized to issue an unlimited number of Common Shares, of which 234,573,715 Common Shares are issued and outstanding as fully paid and non-assessable.

Holders of Common Shares are entitled to: (a) one vote per Common Share at all meetings of shareholders of the Corporation; (b) receive dividends if, as and when declared by the Board; and (c) in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of its assets for the purpose of winding up its affairs, to share fully in the distribution of the property or assets of the Corporation.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at March 31, 2021: (i) before giving effect to the Offerings or the Acquisition; and (ii) after giving effect to the Acquisition and the Offerings. The table should be read in conjunction with the Interim Financial Statements of the Corporation as at and for the year ended March 31, 2021.

(\$ amounts in '000s)	Before giving effect to the Acquisition and the Offerings	After giving effect to the Acquisition and the Offerings <sup>(1)</sup>	After giving effect to the Acquisition and the Offerings and assuming the conversion of the Special Warrants and Compensation Special Warrants
Senior Secured Term Loan <sup>(5)(6)</sup>	Nil <sup>(5)</sup>	\$87,000 <sup>(4)</sup>	\$87,000 <sup>(4)</sup>
Second Secured Loan <sup>(6)</sup>	US\$19,700	US\$19,700 <sup>(6)</sup>	US\$19,700 <sup>(6)</sup>
Promissory and Convertible Notes	\$3,500	\$3,500	\$3,500
Special Warrants <sup>(2)</sup>	Nil	268,333,333	Nil
Compensation Special Warrants <sup>(3)</sup>	Nil	17,829,010	Nil <sup>(3)</sup>
Share Capital <sup>(3)(7)</sup>	\$33,027	\$33,027	\$65,227 <sup>(7)</sup>
Common Shares (unlimited)	234,573,715 Common Shares	234,573,715 <sup>(7)</sup> Common Shares	502,907,048 <sup>(7)</sup> Common Shares
Warrants <sup>(2)(8)</sup>	35,088,454	48,383,332	316,716,665

Notes:

- (1) Based on the issuance of 268,333,333 underlying Unit Shares pursuant to 268,333,333 Special Warrants issued in connection with the Offerings for aggregate gross proceeds of \$32,200,000, less the Agents' Fee of \$966,000, finders' fees of \$813,401 the Corporate Finance Fee and applicable taxes of \$100,000 (plus HST) and the expenses of the Offerings of \$300,000 for net proceeds to the Corporation of \$30,007,599.
- (2) Each Warrant underlying the Special Warrants entitles the holder to purchase one Common Share at a price of \$0.16 for a period of two years from the Closing Date. See "*Prior Sales*".
- (3) In connection with the Acquisition and Offerings, the Corporation issued an aggregate of 17,829,010 Compensation Special Warrants, each convertible into Compensation Options which are exercisable for \$0.12 into a Unit of the Corporation consisting of one Common Shares and one Warrant.
- (4) See "*Use of Proceeds*", "*Risk Factors – Credit Facilities Risk*", "*Risk Factors – Additional Indebtedness*".
- (5) In connection with the Acquisition, the Corporation entered into the Senior Secured Term Loan for proceeds of \$87 million. The Senior Secured Term Loan bears interest at a rate of CDOR + 11.5% and will amortize over three years, with 50% repayable in the first year, 30% in the second year and 20% in the final year. Based on forecast production rates and hedged commodity prices, Saturn anticipates paying out the Senior Secured Term Loan in advance of its scheduled amortization payments. The Corporation's previous Senior Secured Loan has been subordinated and restated as a second secured revolving loan facility in connection therewith.
- (6) As at March 31, 2021 the Corporation had \$25.2 million (US\$19.7 million) drawn on the Second Secured Loan facility and \$3.5 million in promissory and convertible notes. As at June 7, 2021, the Corporation was indebted under the lending arrangements in the aggregate amount of approximately C\$114 million.
- (7) As at March 31, 2021 after giving effect to the Acquisition and assuming the conversion of the Special Warrants (but not the Compensation Special Warrants) into their underlying Common Shares and Warrants, the Corporation would have 502,907,048 Common Shares and 316,716,665 Warrants outstanding (share capital of \$65.227 million).
- (8) As a condition to entering into the amendment to create the Second Secured Loan, the Corporation was required to issue 43,800,000 Warrants to the lender thereunder at an exercise price of \$0.16 per Warrant Share, in exchange for cancelling 30,505,122 previously issued warrants, the waiver of certain defaults and the subordination of their loan to the Senior Secured Loan. See "*Recent Developments*" and "*Prior Sales*".

## PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are traded on the TSXV under the trading symbol “SOIL”. The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the periods indicated:

	Trading Price		Volume Traded
	High (\$)	Low (\$)	# of shares
June 2020	0.14	0.095	1,870,025
July 2020	0.125	0.10	730,353
August 2020	0.115	0.10	732,509
September 2020	0.105	0.09	1,367,052
October 2020	0.13	0.075	2,007,946
November 2020	0.11	0.085	817,810
December 2020	0.125	0.095	2,173,419
January 2021	0.130	0.105	2,965,639
February 2021	0.160	0.110	5,905,991
March 2021	0.150	0.125	2,455,269
April 2021	0.150	0.115	4,636,642
May 2021	0.215	0.110	16,542,180
June 1 –29, 2021	0.21	0.15	22,454,984

On May 12, 2021 and June 29, 2021 the last trading days prior to the public announcement of the Offerings and the date of this Prospectus, respectively, the closing price of the Common Shares on the TSXV was \$0.11 and \$0.155, respectively.

## PRIOR SALES

The following table summarizes the issuances of Common Shares and securities convertible into Common Shares within the 12 month period prior to the date of this Prospectus.

During the twelve months preceding the date hereof, no securities have been issued by the Corporation that are outstanding but not listed or quoted on a marketplace, except as set forth below.

Date of Issuance	Class of Securities	Number of Securities Issued	Issue/Exercise Price
May 17, 2021 <sup>(1)</sup>	Special Warrants <sup>(2)</sup>	64,583,334	\$0.12
June 2, 2021 <sup>(1)</sup>	Special Warrants <sup>(2)</sup>	88,749,999	\$0.12
June 4, 2021 <sup>(3)</sup>	Subscription Receipts <sup>(4)</sup>	115,000,000	\$0.12
June 4, 2021	Compensation Special Warrants <sup>(5)</sup>	17,829,010	\$0.12
June 7, 2021	Warrants <sup>(6)</sup>	43,800,000	\$0.16

Notes:

- (1) Issued in connection with the Non-Brokered Financing.
- (2) Each Special Warrant entitles the holder to receive one Unit without payment of additional consideration, and will be automatically converted on the earlier of: (i) four months and one day from the date of issuance, and (ii) five business days after obtaining a final receipt for a short form prospectus. Each Unit is comprised of one Common Share and one Warrant. Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.16 for 24 months from the

date of issuance of the Special Warrant. If the Final Receipt is not obtained prior to June 30, 2021, each Special Warrant will thereafter be convertible into 1.20 Units.

- (3) Issued in connection with the Brokered Financing, including the Agents' Option.
- (4) On June 7, 2021, the Subscription Receipts were converted into 115,000,000 Special Warrants.
- (5) Issued to the Agents and other advisors as partial compensation for services provided in connection with the Offerings and the Acquisition. Each Compensation Special Warrant will be exercisable into one Compensation Option at any time, and all Compensation Special Warrants not previously exercised will automatically be converted into Compensation Options on the earlier of: (i) the day after the Final Receipt is obtained; or (ii) the day that is four months and one day after the date of issuance. Each Compensation Option shall be exercisable to receive one Unit of the Corporation at an exercise price of \$0.12 per Unit at any time up until June 4, 2023.
- (6) As a condition to entering into the amendment to create the Second Secured Loan, the Corporation was required to issue 43,800,000 Warrants to the holder of the Second Lien Credit Facilities, at an exercise price of \$0.16 per Warrant Share, in exchange for cancelling 30,505,122 previously issued warrants, the waiver of certain defaults and subordinating the Second Secured loan to the Senior Secured Loan.

## USE OF PROCEEDS

The Corporation raised gross proceeds of \$18,400,000 pursuant to the Non-Brokered Financing and \$13,800,000 pursuant to the Brokered Financing, for aggregate gross proceeds of \$32,200,000 under the Offerings. The net proceeds to the Corporation from the Offerings were \$30,007,599 after deducting: (i) the Agents' Fee of \$966,000; (ii) the Corporate Finance Fee of \$100,000 (plus HST); (iii) finder's fees payable on a portion of the proceeds raised under the Non-Brokered Financing of \$813,400.80; and (iv) expenses of the Offerings of \$300,000. Saturn will not receive any additional cash proceeds upon the exercise or deemed exercise of the Special Warrants. None of the proceeds of the Offerings are restricted by the Senior Secured Term Loan or the Second Secured Loan, and the proceeds of the Offerings have not been and are not required to be used as a 'cure' under either facility.

Upon Closing of the Brokered Financing, the gross proceeds of the Brokered Financing, less 50% of the Agent's Commission, 50% of the Corporate Finance Fee and the Agent's Expenses (the "**Escrowed Proceeds**") were deposited in escrow. The Escrowed Proceeds, less the remaining 50% of the Agent's Commission and Corporate Finance Fee were released from escrow to the Corporation on June 7, 2021 upon satisfaction of all material conditions precedent to the Acquisition, other than payment of the purchase price in connection with the Acquisition.

In addition, the Corporation has drawn down \$87,000,000 (the "**Additional Proceeds**") from the Senior Secured Term Loan. The gross proceeds from the Offerings and the Additional Proceeds amount to approximately \$119,200,000 and were used to fund the purchase price for the Acquisition, and as described below:

	<u>Total</u>
Cash Purchase Price for the Acquisition (gross purchase price of \$93,930,000 including GST less \$10,811,031 of adjustments to give effect to the effective date of April 1, 2021)	\$83,118,969 <sup>(1)</sup>
Deposit paid to the Saskatchewan Ministry of Energy and Resources (" <b>SMER</b> ") <sup>(2)</sup>	\$21,021,134
Lending fees <sup>(3)</sup>	\$3,281,472
Financial Advisory Fees <sup>(4)</sup>	\$2,866,500
Legal, Due Diligence and Registration Fees	\$2,072,948
Expenses of the Offerings and Finders Fees	\$2,192,401
General Capital Expenditures and Working Capital	\$4,646,576

Notes:

- (1) Represents the total cash purchase price, after adjustments, paid to the Vendor upon closing the Acquisition. For a description of the Acquisition, please see information under the heading “*The Acquisition*”, above, and the Corporation’s BAR dated June 10, 2021, incorporated by reference herein.
- (2) In connection with the transfer of oil and gas wellsite and facility licences under then Acquisition, the Corporation was required to post a security deposit with the SMER based on their proportional risk transfer model. The deposit is refundable to the Corporation in certain circumstances based on the Corporation’s Licensee Liability Rating, subject to the SMER’s discretion.
- (3) Fees were payable to the Corporation’s lenders under the Senior Secured Term Loan including an original issue discount fee, agency fees payable to the lender’s administrative and collateral agent and a ticking fee.
- (4) The Corporation paid a financial advisory fee to Alvarez & Marsal Canada Securities ULC who acted as exclusive financial advisor to the Corporation with respect to the Senior Secured Term Loan and the Acquisition.

The use of net proceeds of the Offerings by the Corporation is consistent with the Corporation’s stated business objectives and strategic goals of the exploration for and development of oil and natural gas reserves. There is no particular significant event or milestone that must occur for the Corporation’s business objectives to be accomplished. The Corporation believes that the completion of the Offerings and the Acquisition have better positioned to further its business objectives of exploration and development of its oil and gas assets.

While the Corporation intends to use the balance of the net proceeds as stated, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Corporation’s best interests. See “*Risk Factors – Use of Proceeds*”.

While the Corporation believes that it has the skills and resources necessary to accomplish its stated business objectives and strategic goals, participation in the acquisition of, exploration for and development of oil and natural gas reserves has a number of inherent risks. See “*Risk Factors*” herein and in the AIF and “*Business Risks*” in the Annual MD&A, which are incorporated by reference herein.

## **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

### ***Special Warrants***

The following is a summary of the material attributes and characteristics of the Special Warrants. This summary is subject to, and qualified in its entirety by, reference to the terms of the Special Warrant Indenture, which is available under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Special Warrants were created pursuant to and are governed by the Special Warrant Indenture. The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Corporation from the distribution of the Units underlying the Special Warrants. Pursuant to the Special Warrant Indenture, each Special Warrant is exercisable, without payment of any additional consideration, into one Unit at any time, and all Special Warrants not previously exercised will be deemed to have been exercised immediately prior to the earlier of: (i) four months and a day after the date of issuance of the Special Warrants; and (ii) five business days after the date on which the Corporation obtains a Final Receipt for the Final Prospectus. If the Final Receipt is not obtained prior to the Penalty Date, each holder of a Special Warrant shall be entitled to receive, without payment of additional consideration, 1.2 Units per Special Warrant (instead of one (1) Unit per Special Warrant) upon the exercise or deemed exercise of the Special Warrants. Each Unit is comprised of one Common Share and one Warrant, as further described below.

The Special Warrant Indenture provides that in the event of certain alterations of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of a capital reorganization of

the Corporation, including any amalgamation, merger, or arrangement or a sale or conveyance of the property or assets of the Corporation, as an entirety, or substantially as an entirety, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon exercise of the Special Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional Common Shares will be issued upon the exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of Corporation or entitle the holder to any right or interest in respect of the Common Shares except as expressly provided in the Special Warrant Indenture.

The Special Warrant Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of Special Warrants held in accordance with the provisions of the Special Warrant Indenture and resolutions signed by the holders of specified majority of Special Warrants then outstanding.

The Corporation has granted to each holder of Special Warrants a contractual right of rescission of the prospectus-exempt Offerings under which the Special Warrants were initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires another security of the Corporation on exercise of the Special Warrant as provided for in the Prospectus is, or becomes, entitled under securities legislation of a jurisdiction to the remedy of rescission because of the Prospectus or an amendment to the Prospectus containing a misrepresentation:

- (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired;
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation or Agents, as the case may be, on the acquisition of the Special Warrant (including the Subscription Receipts which were converted into Special Warrants); and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

### ***Common Shares***

The Unit Shares underlying the Units are Common Shares of the Corporation. The holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of the Corporation, to one vote per share at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of Common Shares after payment of the Corporation's creditors.

### ***Warrants***

The Warrants underlying the Units will be governed by the terms of the Warrant Indenture. The following is a summary of the material attributes and characteristics of the Warrants. This summary is subject to, and qualified in its entirety by, reference to the terms of the Warrant Indenture, which is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Common Share at an exercise price of \$0.16 until June 4, 2023.

The Warrant Indenture provides for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price thereof upon the occurrence of certain events, including: (i) the subdivision, redivision or change of the Common Shares into a greater number of shares; (ii) the reduction, combination or consolidation of the Common Shares into a lesser number of shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares as a dividend or distribution; (iv) the issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, at a price per share to the holder of less than 95% of the “current market price” as defined in the Warrant Indenture, for the Common Shares on such record date; or (v) the distribution to all or substantially all of the holders of the Common Shares of: (A) securities of any class other than Common Shares or securities of another entity; (B) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares, other than pursuant to a rights offering; (C) evidences of indebtedness; or (D) any property or other assets, including cash.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants in the event of certain alterations of the Common Shares, including any subdivision, consolidation or reclassification, and in the event of a capital reorganization of the Corporation, including any amalgamation, merger, or arrangement or a sale or conveyance of the property or assets of the Corporation, as an entirety, or substantially as an entirety, an adjustment shall be made to the terms of the Warrants such that the holders shall, upon exercise of the Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Warrants prior to the occurrence of those events. No fractional Common Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid in lieu of fractional shares.

## **PLAN OF DISTRIBUTION**

On May 17, and June 2, 2021, the Corporation closed the first and second and tranches, respectively, of the Non-Brokered Financing, pursuant to which the Corporation issued 153,333,333 Special Warrants for aggregate gross proceeds under the Non-Brokered Financing of \$18,400,000. In connection with the Non-Brokered Financing, the Corporation paid an aggregate of \$813,401 in finder’s fees to certain third-parties for their services in introducing potential investors to the Corporation.

On June 4, 2021, the Corporation issued 115,000,000 Subscription Receipts upon Closing of the Brokered Financing for gross proceeds of \$13,800,000. Pursuant to the Agency Agreement Saturn paid the Agents’ Fee of 7% of the gross proceeds of the Brokered Financing, or \$0.0084 per Subscription Receipt. In accordance with the Agency Agreement, the Corporation paid a Corporate Finance Fee of \$100,000 (plus HST), agency fees of \$966,000 and expenses of the Brokered Financing of \$300,000.

The net proceeds of both Offerings to the Corporation were \$30,007,599. The terms of the Brokered Financing, including the Offering Price, were determined by arm’s length negotiation between the Corporation and the Lead Agent, on its own behalf, and on behalf of the Agents. On June 7, 2021, the Subscription Receipts were converted into 115,000,000 Special Warrants in connection with the closing of the Acquisition. The Agents will receive no additional fees in connection with the distribution of the Units issuable upon exercise or deemed exercise of the Special Warrants.

This Prospectus is being filed in the Qualifying Provinces to qualify the distribution of 268,333,333 Units issuable for no additional consideration upon the exercise or deemed exercise of 268,333,333 Special Warrants. The Special Warrants are not available for purchase pursuant to this Prospectus and no

additional consideration is to be received by the Corporation in connection with the distribution of the Units issuable upon exercise or deemed exercise of the Special Warrants. This Prospectus also qualifies the distribution of 53,666,666 Additional Units potentially issuable upon the operation of the Penalty Provision, and the distribution of the 17,829,010 Compensation Options issuable upon exercise or deemed exercise of the Compensation Special Warrants.

Each Special Warrant entitles its holder to receive, upon the exercise or deemed exercise on the Automatic Exercise Date, and subject to adjustment in certain circumstances and the Penalty Provision, one Unit at not additional cost or further action on the part of the holder, in accordance with the terms and conditions of the Special Warrant Indenture.

Each Unit consists of one Unit Share and one Warrant. The Warrants are issuable pursuant to the Warrant Indenture. Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$0.16 per Warrant Share until June 4, 2023. See “*Description of Securities Being Distributed – Warrants*”.

The Corporation has covenanted to use commercially reasonable efforts to: (i) prepare and file with the securities regulatory authorities in the Qualifying Provinces a short form prospectus for the purpose of qualifying the distribution of the Units as soon as possible following the Closing Date; and (ii) promptly satisfy all comments of the securities regulatory authorities in the Qualifying Provinces after receipt of such comments; and (iii) prepare and file the Final Prospectus and obtain a Final Receipt, on or before the Penalty Date, being June 30, 2021, failing which the Corporation will continue to use its commercially reasonable efforts to obtain the Final Receipt for the Final Prospectus prior to the expiry of the applicable hold periods.

In the event that the Corporation does not obtain the Final Receipt on or before the Penalty Date, each holder of Special Warrants shall be entitled to receive, without payment of additional consideration, 1.2 Units per Special Warrant (instead of one (1) Unit per Special Warrant) upon the exercise or deemed exercise of the Special Warrants.

**Any Underlying Securities issued upon the exercise of Special Warrants prior to the Deemed Exercise Date will be subject to the relevant hold periods under applicable securities legislation.**

The Corporation has agreed that, from the date of the Agency Agreement to the date that is 120 days following the Closing Date, it will not offer or issue, or announce the offering or issuance of, or make any agreement to offer or issue, without the prior written consent of the Lead Agent, which consent shall not be unreasonably withheld, Common Shares or securities convertible, exchangeable or exercisable into Common Shares (other than: (i) the exchange, transfer, conversion or exercise rights of existing outstanding securities; (ii) the issue of options under the Corporation’s stock option plan; (iii) existing commitments to issue securities; (iv) pursuant to the Offering; or (v) in connection with any arm’s length acquisition (including to acquire assets or intellectual property rights)).

The Corporation has also caused its directors and officers to enter into lock up agreements in favour of the Agents, whereby they have agreed not to directly or indirectly, offer, sell, contract to sell, grant any option to purchase, make any short sale, or otherwise dispose of, or transfer, or announce any intention to do so, any securities of the Corporation, whether now owned directly or indirectly, or under their control or direction, or with respect to which each has beneficial ownership, or enter into any transaction or arrangement that has the effect of transferring, in whole or in part, any of the economic consequences of ownership of the securities of the Corporation, whether such transaction is settled by the delivery of Common Shares, other securities, cash or otherwise other than pursuant to a take-over bid or any other similar transaction made generally to all of the shareholders of the Corporation, until the date which is

four months after the Closing Date, without the prior written consent of the Lead Agent (on behalf of the Agents), which consent shall not be unreasonably withheld or delayed.

The Corporation has applied to have the Underlying Securities issuable upon conversion of the Special Warrants issued pursuant to the Offerings listed on the TSXV. The Corporation has received the TSXV's conditional approval for the issuance of the Underlying Securities and such listings will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

Except in certain limited circumstances, the Special Warrants issued upon conversion of the Subscription Receipts were issued in "book-entry only" form, registered and represented electronically through CDS, and were deposited with CDS pursuant to the book-entry only system. Unless the book-entry only system is terminated as described below or if Special Warrants are evidenced by Special Warrant Certificates, a person acquiring a beneficial interest in the Special Warrant will not be entitled to receive a certificate for Special Warrants, or, unless requested, for the Underlying Securities.

Upon exercise or deemed exercise of the Special Warrants, except in certain limited circumstances, evidence of ownership of the Underlying Securities will be issued in uncertificated form through the book-based registration system of CDS, and registered in the name of CDS or its nominee and deposited with CDS on or about the date of exercise or the Deemed Exercise Date. Except in certain limited circumstances, no certificates evidencing the Underlying Securities issued upon exercise or deemed exercise of the Special Warrants will be issued to subscribers, and registration will be made only through the depository services of CDS. Except in certain limited circumstances, holders of such Underlying Securities will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Underlying Securities is acquired.

The Underlying Securities will be issued to beneficial owners thereof in fully registered and certificate form only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) CDS advises the Corporation that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Underlying Securities and the Corporation is unable to locate a qualified successor; or (d) the Corporation decides to terminate the book-entry only system through CDS.

The Subscription Receipts Special Warrants, and the Underlying Securities have not been and will not be registered under the 1933 Act, or any state securities laws, and accordingly may not be offered, sold or delivered within the United States except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Except as permitted in the Agency Agreement and as expressly permitted by applicable laws of the United States, the Agents did not offer, sell or deliver the Subscription Receipts within the United States except, through their U.S. broker-dealer affiliates, to "qualified institutional buyers" (as defined in Rule 144A under the 1933 Act ("**Rule 144A**")) in the United States, provided such offers and sales were made in transactions in accordance with Rule 144A and are exempt from registration under applicable state securities laws. The Agency Agreement also permitted the Agents to offer the Subscription Receipts, for sale directly by the Corporation, to "accredited investors" within the meaning of Rule 506(b) of Regulation D thereunder and similar exemptions under applicable state securities laws.

The Agency Agreement also provided that the Corporation indemnify the Agents against certain liabilities (including liabilities under applicable securities legislation) and contribute to payments that the Agents may be required to make in respect thereof.

## RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN AGENTS

The Corporation is neither a “connected issuer” nor a “related issuer” of the Agents as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts*. Certain of the Agents and their affiliates have or may performed investment banking, commercial banking and advisory services for the Corporation from time to time for which they have or may receive customary fees and expenses. The Agents and their affiliates may continue to, from time to time, engage in transactions with and perform services for the Corporation in the ordinary course of their business.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Dentons Canada LLP, counsel to the Corporation, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who as beneficial owner holds Special Warrants, and, pursuant to the Special Warrant Indenture acquires Units, consisting of Units Shares and Warrants, as a beneficial owner and who, at all relevant times, for purposes of the Tax Act (i) acquires and holds the Special Warrants, Units, Unit Shares, Warrants and Warrant Shares as capital property, (ii) acquires Units, consisting of Unit Shares and Warrants, pursuant to the exercise or deemed exercise of Special Warrants, (iii) acquires Warrant Shares pursuant to the exercise or deemed exercise of Warrants, and (iv) deals at arm’s length with the Corporation and each of the Agents, and is not affiliated with the Corporation or any of the Agents (a “**Holder**”).

For purposes of this summary, references to Common Shares include Unit Shares and Warrant Shares unless otherwise indicated.

Special Warrants, Units, Warrants and Common Shares will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act, for the purpose of the mark-to-market rules; (ii) an interest in which would be a “tax shelter investment”, as defined in the Tax Act; (iii) that is a “specified financial institution”, as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its Canadian tax results in a currency other than the Canadian dollar; (v) that receives dividends on the Common Shares under or as part of a “dividend rental arrangement”, as defined in the Tax Act; (vi) that enters into, with respect to their Special Warrants, Units, Unit Shares, Warrants or Warrant Shares, a “derivative forward agreement” or “synthetic disposition arrangement”, both as defined in the Tax Act; or (vii) that is a “foreign affiliate” of a taxpayer resident in Canada, as defined in the Tax Act. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Special Warrants or Warrant Shares. Such Holders are advised to obtain their own tax advice.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) and the Canada-United States Tax Convention (1980), as amended (the “**Canada-US Treaty**”). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into

account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.**

#### *Exercise of Special Warrants*

The exercise or deemed exercise of a Special Warrant to acquire a Unit, comprised of a Unit Share and a Warrant, will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder on the exercise of a Special Warrant to acquire a Unit.

#### *Allocation of Cost*

Holders will be required to allocate on a reasonable basis their cost of each Unit between the Unit Share and the Warrant comprising the Unit in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Corporation intends to allocate \$0.119 to each Unit Share and \$0.001 to each Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder and the Corporation expresses no opinion with respect to such allocation. Holders are encouraged to consult their own tax advisors in this regard.

#### *Adjusted Cost Base*

The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

#### *Exercise of Warrants*

The exercise or deemed exercise of a Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised or is deemed to be exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

#### **Holders Resident in Canada**

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (a "**Resident Holder**"). Persons who are residents of Canada for purposes of the Tax Act and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Persons whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Special Warrants or Warrants.

### *Expiry of Warrants*

The expiry of an unexercised Warrant will generally result in a capital loss to the Resident Holder equal to the adjusted cost base of the Warrant to the Resident Holder immediately before its expiry. See the discussion below under the heading “Taxation of Capital Gains and Capital Losses”.

### *Dispositions of Common Shares and Warrants*

On a disposition or deemed disposition of a Common Share (except to the Corporation that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market) or a Warrant (other than on the exercise or expiry of a Warrant), a capital gain (or capital loss) will generally be realized by a Resident Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading “Taxation of Capital Gains and Capital Losses”.

### *Taxation of Capital Gains and Capital Losses*

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “taxable capital gain”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “allowable capital loss”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on a disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or a beneficiary, is a member of a partnership or a beneficiary of a trust that owns Common Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may also be liable for an additional tax (refundable in certain circumstances) on “aggregate investment income” (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

### *Dividends*

Dividends received or deemed to be received by a Resident Holder on the Common Shares, if any, will be included in computing the Resident Holder’s income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Corporation provides appropriate notice to the recipient designating the dividend as an “eligible dividend”

for purposes of the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as “eligible dividends”, and the Corporation has made no commitments in this regard.

Dividends received or deemed to be received on the Common Shares by a Resident Holder that is a corporation must also be included in computing its income but will generally be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

#### *Alternative Minimum Tax*

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax..

#### **Holders Not Resident in Canada**

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not, and is not deemed to, use or hold the Special Warrants, Units, Common Shares or Warrants in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere, or that is an “authorized foreign bank” (as defined in the Tax Act), and such Non-Resident Holders should consult their own tax advisors.

#### *Dividends*

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Corporation to a Non-Resident Holder on the Common Shares will be subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-US Treaty and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15% in most circumstances. Non-Resident Holders should consult their tax advisors in this regard.

#### *Dispositions of Common Shares and Warrants*

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Warrant (as applicable) is, or is deemed to be, “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the

time of disposition, and the Non-Resident Holder is not entitled to an relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Provided that the Common Shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the TSXV) at the time of a disposition of a Common Share or Warrant, generally a Common Share or Warrant (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder unless, at any time during the 60 month period immediately preceding the disposition, (i) at least 25% of the issued shares of any class or series of the capital stock of the Corporation were owned by or belonged to any combination of (a) the Non- Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm’s length for purposes of the Tax Act, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) at such time, more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists. Notwithstanding the foregoing, a Common Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

A Non-Resident Holder contemplating a disposition of Common Shares or Warrants that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Common Share or Warrant that is taxable Canadian property to that Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention, the consequences described above under the headings “Holders Resident in Canada — Dispositions of Common Shares and Warrants” and “Taxation of Capital Gains and Capital Losses” will generally be applicable to such disposition.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Dentons Canada LLP, counsel to the Corporation, based on the provisions of the Tax Act in force as of the date hereof, the Special Warrants, Unit Shares, Warrants and Warrant Shares, would be, if issued on the date hereof, “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account (collectively, “**Registered Plans**”), or a deferred profit sharing plan (“**DPSP**”) (all for purposes of the Tax Act), provided that at such time:

- (i) in the case of the Unit Shares and Warrant Shares, the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV) or the Corporation is a “public corporation” as defined in the Tax Act;
- (ii) in the case of the Special Warrants, the Unit Shares and Warrant Shares are qualified investments as described in (i) above and neither the Corporation, nor any person with whom the Corporation does not deal at arm’s length, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of the particular Registered Plan or DPSP; and
- (iii) in the case of the Warrants, the Warrant Shares are qualified investments as described in (i) above and neither the Corporation, nor any person with whom the Corporation does not deal at arm’s length, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of the particular Registered Plan or DPSP.

Notwithstanding the foregoing, the holder, subscriber or annuitant, as the case may be, of a Registered Plan (the “**Controlling Individual**”) will be subject to a penalty tax if the Special Warrants, Unit Shares, Warrants and Warrant Shares held in the Registered Plan are a “prohibited investment” (as defined in the Tax Act) for the particular Registered Plan. A Special Warrant, Unit Share, Warrant or Warrant Share generally will be a “prohibited investment” for a Registered Plan if the Controlling Individual of the Registered Plan does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in the Corporation. The Unit Shares and Warrant Shares will not be a prohibited investment for a Registered Plan if such shares are “excluded property” (within the meaning of paragraph 207.01(1) of the Tax Act) for the Registered Plan. Controlling Individuals should consult their own tax advisors as to whether the Special Warrant, Unit Shares, Warrants or Warrant Shares will be a prohibited investment in their particular circumstances.

**Persons who intend to hold Special Warrants, Unit Shares, Warrants and Warrant Shares in a Registered Plan or a DPSP should consult their own tax advisors with respect to the application of these rules in their particular circumstances.**

## **RISK FACTORS**

An investment in the Special Warrants and the Unit Shares involves a number of risks. Before investing, prospective purchasers of Special Warrants should carefully consider, in light of their own financial circumstances, the factors set out below, as well as other information and risk factors contained in or incorporated by reference in this Prospectus, including those risk factors set forth under the heading “*Risk Factors*” of the AIF, and those risk factors set forth in the Annual MD&A, which are incorporated by reference herein.

### **Possible Failure to Realize Anticipated Benefits of the Acquisition**

The Corporation believes the Acquisition will strengthen Saturn’s position in the oil and natural gas industry and to create the opportunity to realize certain benefits. Achieving the benefits of the Acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Corporation’s ability to realize the anticipated growth opportunities and synergies from integrating the Assets into Saturn’s existing portfolio of properties. The integration of the Assets requires the dedication of substantial management effort, time and resources, which may divert management’s focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Corporation’s ability to achieve the anticipated benefits of the Acquisition. See “*The Acquisition*”.

### **Potential Undisclosed Liabilities Associated with the Acquisition**

In connection with the Acquisition, there may be liabilities that Saturn failed to discover or was unable to quantify in the Corporation’s due diligence which the Corporation conducted prior to the execution of the Acquisition Agreement and Saturn may not be indemnified for some or all of these liabilities.

### **Acquisitions Require Engineering, Title, Environmental and Economic Assessments that may be Materially Incorrect**

Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants.

These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Although title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects or deficiencies do not exist.

### **Operational, Environmental and Reserves Risks Relating to the Acquisition**

The risk factors set forth in the AIF and in this Prospectus relating to the oil and natural gas business, environmental and Saturn's operations and reserves apply equally in respect of the Assets.

### **Nature of Acquisitions**

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond Saturn's control. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat Saturn's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of assets and the Corporation's securities.

### **Credit Facilities Risk**

The amount authorized under the Senior Secured Term Loan is \$87,000,000 and the amount authorized under the Second Secured Term Notes is US\$19,747,442.10 in principal plus accrued and PIK interest. The Senior Secured Term Loan and the Senior Secured Term Notes are subject to an intercreditor agreement between the lenders whereby the Senior Secured Term Loan ranks in priority to the Senior Secured Term Notes. The Corporation is required to comply with covenants under the Senior Secured Term Loan and once the balance owing under the Senior Secured Term Loan is below \$24,000,000, comply with the covenants under the Second Secured Term Notes. The failure of the Corporation to comply with such covenants, which may be affected by events beyond the Corporation's control, could result in the default under the Senior Secured Term Loan and/or the Second Secured Term Notes, which could result in increased cost of capital or the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing, the lenders under the Senior Secured Term Loan and/or the Second Secured Term Notes could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit

acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Senior Secured Term Loan and/or the Second Secured Term Notes may, from time to time, impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, hedging requirements, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

### **Additional Indebtedness Required**

Although the terms of the agreements governing the Senior Secured Term Loan and the Second Secured Loan permit the Corporation to request that the lenders adjust the borrowing base limit under the Senior Secured Term Loan and the Second Secured Loan, in the event the Corporation acquires reserves, there can be no assurance that an increase to the Senior Secured Term Loan and/or the Second Secured Loan will be obtained. Additionally, any additional indebtedness will increase the amount of interest payable by the Corporation from time to time until such indebtedness is repaid, which will represent an increase in the Corporation's interest costs and a potential reduction in the Corporation's net income. In addition, the Corporation may need to find additional sources of financing to repay any such additional indebtedness when it becomes due. There can be no guarantee that the Corporation will be able to obtain financing on terms acceptable to it or at all at such time.

### **Use of Proceeds**

The Corporation currently intends to allocate the balance of the net proceeds as described under "*Use of Proceeds*" in this Prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*" if it is believed it would be in the best interests of the Corporation to do so as circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Corporation.

### **Weakness in the Oil and Gas Industry**

Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries, the impacts of the COVID-19 pandemic, slowing growth in certain global economies, market volatility, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions could cause a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Given the current market conditions, the Corporation may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms.

### **Effect of Commodity Prices on Operational and Financial Results**

The Corporation's operational and financial results are dependent on the prices received for oil and natural gas production. Any substantial and extended decline in the price of oil and natural gas could have an adverse effect on, among other things, the Corporation's revenues and financial condition.

### **Volatility of Market Price of Common Shares**

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Underlying Securities at an advantageous price. Market price fluctuations in the Common

Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Special Note Regarding Forward-Looking Statements*". In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

### **Market for Securities**

The Corporation has applied to have the Unit Shares and Warrants listed on the TSXV. Such listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. However, there is currently no market through which the Warrants may be sold and there is no guarantee that an active trading market for the Warrants will develop. Accordingly, purchasers may not be able to resell the Warrants distributed under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and the availability of trading prices and the liquidity of the Warrants. There can be no assurance that an active trading market will develop for the Warrants, or if developed, that such a market will be sustained at the price level of the Offerings.

### **Forward-Looking Statements and FOFI may Prove Inaccurate**

Investors are cautioned not to place undue reliance on forward-looking information included in this Prospectus or the documents incorporated by reference in this Prospectus, including the forward-looking information under "*Recent Developments*" and "*The Acquisition*". By their nature, forward-looking information and FOFI involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information and/or FOFI or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Some of the FOFI presented in this Prospectus is based upon the anticipated benefits of the Acquisition and the Offerings and if such benefits are not realized, this will impact the forward looking FOFI provided herein and such impact may be material. See "*Special Note Regarding Forward-Looking Statements*".

### **Impact of Future Financings**

In order to finance future operations, the Corporation may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are BDO Canada LLP, 903 – 8<sup>th</sup> Avenue S.W., Suite 620, Calgary, Alberta T2P 0P7.

The transfer agent and registrar for the Common Shares, the Special Warrant Agent for the Special Warrants, and the Warrant Agent for the Warrants, is Computershare Trust Company of Canada at its principal office in Vancouver, British Columbia.

## **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offerings have been passed upon by Dentons Canada LLP, on behalf of the Corporation and by Fasken Martineau DuMoulin LLP on behalf of the Agents. Based on security holdings as of June 29, 2021, the partners and associates of Dentons Canada LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares. Based on security holdings as of June 29, 2021, the partners and associates of Fasken Martineau DuMoulin LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Common Shares. In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

Certain reserve estimates in this Prospectus and incorporated by reference in this Prospectus are derived from reserve reports prepared by Ryder Scott. As of the date hereof, Ryder Scott, and the partners of Ryder Scott, do not beneficially own, directly or indirectly, any Common Shares.

BDO Canada LLP is the current auditor of the Corporation and is independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

PricewaterhouseCoopers LLP provided an audit opinion for operating statements included in the BAR with respect to the Acquisition, which are incorporated by reference herein, and is independent within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

The reports of PricewaterhouseCoopers LLP included or incorporated by reference in this Prospectus refer exclusively to the historical financial statements described therein and do not extend to the prospective financial information included in this Prospectus and should not be read to do so.

## **STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In addition, under the Agency Agreement, original purchasers of Subscription Receipts will have a contractual right of rescission against the Corporation both prior to and following the issuance of the underlying Special Warrants to such purchasers to receive the amount paid for the Subscription Receipts if this Prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation.

In a distribution of Special Warrants (and the Warrants issuable upon the exercise or deemed exercise thereof), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial securities legislation, to the price at which the Special Warrants (and the Warrants issuable upon the exercise or deemed exercise thereof) are offered. This means that, under the securities legislation of certain provinces, if the investor pays additional amounts upon the exchange or exercise of the securities, those amounts may not be recoverable under the

statutory right of action for damages that applies in those provinces. The investor should refer to any applicable provisions of the securities legislation of the investor's province for the particulars of this right of action for damages or consult with a legal advisor.

#### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES**

Calvin Payne, a director of the Corporation, resides outside of Canada. Mr. Payne has appointed the Corporation as his agent for service of process at its head office address at Suite 1000, 207 – 9<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1K3.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

**CERTIFICATE OF THE CORPORATION**

Dated: June 30, 2021

This short form Prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each the provinces of Canada (except Québec).

**SATURN OIL & GAS INC.**

(signed) “*John Jeffrey*”  
Chief Executive Officer

(signed) “*Scott Sanborn*”  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF SATURN OIL & GAS INC.**

(signed) “*Calvin Payne*”  
Director

(signed) “*Ivan Bergerman*”  
Director

## CERTIFICATE OF THE AGENTS

Dated: June 30, 2021

To the best of our knowledge, information and belief, this Prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each the provinces of Canada (except Québec).

**ECHELON WEALTH PARTNERS INC.**

(signed) "*Ryan Mooney*"

Ryan Mooney  
Managing Director,  
Energy & Diversified

**CANACCORD GENUITY CORP.**

(signed) "*Andrew Birkby*"

Andrew Birkby  
Managing Director,  
Investment Banking