Management's Discussion and Analysis

SATURN OIL & GAS INC.

For the three months ended March 31, 2021 and 2020

(in Canadian Dollars)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Saturn Oil & Gas Inc. (the "Company" or "Saturn") has been prepared by management in accordance with the requirements of National Instrument of 51-102 as of March 31, 2021, and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2021 and 2020 and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited annual financial statements for the years ended December 31, 2020 and 2019 and related notes which have been prepared in accordance with IFRS. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102 Continuous Disclosure Obligations. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.saturnoil.com.

All financial information in this MD&A has been prepared in accordance with IFRS, unless otherwise indicated, and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted. This MD&A contains forward-looking statements and non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosures under the headings "Forward-Looking Statements" and "Non-IFRS Measures" included at the end of this MD&A.

OVERVIEW OF THE BUSINESS

Saturn Oil & Gas Inc. was incorporated under the laws of British Columbia on August 16, 2001 and continued into the province of Saskatchewan on December 17, 2018. The Company is in the business of acquiring, exploring, evaluating and developing economically viable energy and resource deposits in Canada. The Company's current focus is to advance the exploration and development of its oil and gas properties in west-central Saskatchewan.

The Company's corporate headquarters are at Suite 1000, 207 9 Ave SW, Calgary, Alberta, T2P 1K3. The common shares of the Company are listed on the TSX Venture Exchange and trade under the symbol "SOIL".

This Management's Discussion and Analysis ("MD&A") is dated May 31, 2021 and should be read in conjunction with the Company's audited annual financial statements and related notes as at and for the year ended December 31, 2020. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company's Board of Directors approved and authorized the condensed interim financial statements for issue on May 31, 2021.

SUBSEQUENT EVENTS

In May 2021, the Company entered into an agreement to acquire approximately 6,300 BOE per day of production for $93 million (before adjustments). This acquisition will be funded through proceeds from a $82.0 million Senior Secured Term Loan, a private placement of Special Warrants at $0.12 per Special Warrant for aggregate gross proceeds of $18.4 million and a from a private placement of Subscription Receipts at $0.12 per Subscription Receipt for aggregate gross proceeds of $13.8 million. The Company's existing reserve-based revolving note facility will be amended to be senior secured notes, extended to November 2024 and subordinated to the Senior Secured Term Loan, with interest payable 7.5% cash and 7.5% payment in kind.

GENERAL ADVISORY

This MD&A uses "funds flow", "adjusted funds from operations", "annualized quarterly adjusted funds from operations", "funds flow per common share", "netback", "operating netback", "operating income", "net bank debt (surplus)", "total revenue", "average realized prices", "net bank debt (surplus) to annualized quarterly adjusted funds from operations ratio", "working capital deficiency (surplus)", "net debt (surplus) to cash flow", "finding, development and acquisition", "recycle ratio", "net asset value" and "net asset value per common share" which do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information and reconciliation to Canadian generally accepted accounting principles "GAAP" measures, see "Non-GAAP Financial Measure and Other Key Performance Indicators" in this MD&A. This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. The use of and of the words "will", "expects", "believe", "plans", potential", "forecasts" and similar expressions are intended to identify forward-looking statements. Such forward-looking information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, see "Advisories Regarding Forward-Looking Statements" in this MD&A.

BASIS OF PRESENTATION

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise.

COVID-19

On January 30, 2020 the World Health Organization ("WHO") declared a Public Health Emergency of International Concern for a novel coronavirus strain which was later named COVID-19. By March 2020, the WHO declared the COVID-19 a pandemic with governments around the world imposing significant public health measures in order to reduce its spread. The COVID-19 pandemic resulted in an unprecedented global crude oil demand reduction in 2020 which in turn significantly lowered the average global benchmark crude oil price in 2020. Positive vaccine development along with temporary production curtailments from OPEC+ and non-OPEC nations, resulted in a recovery in crude oil prices in the second half of 2020. However, potential delays in the rollout of global vaccination programs and the emergence of new COVID-19 variants, remains a risk to the continued length of the pandemic and the extent of the impact on the global economy and crude oil price.

SELECT QUARTERLY HIGLIGHTS

	Three Months Ended March 31	
Financial ($)	**2021**	**2020**
Oil revenue	**1,321,794**	**3,165,453**
Net income (loss)	**(1,529,137)**	**657,851**
Per share – basic & diluted	**(0.01)**	**0.00**
Sales volumes		
Oil – barrels per day	**233**	706
% liquids	**100%**	100%
Average Realized Prices		
Crude Oil ($/bbl)	**63.05**	49.24
Operating Netback[1] ($/bbl)		
Realized price	**63.05**	49.24
Royalties	**(2.76)**	(1.86)
Operating costs	**(18.94)**	(10.37)
Operating netback[1]	**41.34**	**37.00**

(1) See "Non-IFRS Measures"

2021 OVERVIEW

After a successful drilling program during 2019, fiscal 2020 was a year of managing Saturn's business in light of the volatility in commodity prices as the result of the global impact related to COVID-19. The COVID-19 pandemic resulted in an unprecedented global crude oil demand reduction in 2020 which in turn significantly lowered the average global benchmark crude oil price in 2020. No wells were drilled during 2020 or in 2021 to date. With natural production decline, overall production was 67 % lower in Q1 2021 compared to Q1 2020.

RESULTS OF OPERATIONS

Revenue

	Three Months Ended March 31	
($, except per unit amounts	**2021**	**2020**
Sales volumes		
Oil – barrels per day	**233**	706
% liquids	**100%**	100%
Revenue		
Crude oil	**1,321,794**	3,165,453
Average Realized Price		
Crude Oil ($/bbl)	**63.05**	49.24

Saturn's 2021 first quarter revenue decreased by 58% or $1.8 million compared to Q1 2020. Although oil prices received in during Q1 2021 were 28% higher than during the corresponding period in 2020, the 67% production decrease from Q1 2020 contributed to the lower revenue in Q1 2021.

Royalties

	Three Months Ended March 31	
($, except per unit amounts)	**2021**	**2020**
Royalties	**57,961**	119,819
Per bbl	**2.76**	1.86
Percentage of revenue	**4.4%**	3.8%

Overall royalties for Q1 2021 were lower than for the corresponding period in 2020 due to the 67% lower production volume. Royalties for the three months ended March 31, 2021 were higher on a per barrel basis due to higher commodity prices received and to lower production than compared to the three months ended March 31, 2020.

Operating Expenses

	Three Months Ended March 31	
($, except per unit amounts)	**2021**	**2020**
Operating expenses	**397,151**	666,987
Per bbl	**18.94**	10.96

Operating expenses for the three months ended March 31, 2021 were 40% lower than for the three months ended March 31, 2020 due to the 67% decrease in production volumes. Operating expenses for Q1 2021 were $18.94 per barrel which was higher than the $10.96 per barrel in Q1 2020. The relatively higher proportion of fixed operating expenses and lower production during Q1 2021 contributed to the increase in operating costs per barrel as compared to the corresponding quarter last year.

Operating Netback[1]

	Three Months Ended March 31	
($ per bbl)	**2021**	**2020**
Revenue	**63.05**	49.24
Royalties	**(2.76)**	(1.86)
Operating costs	**(18.94)**	(10.37)
Operating netback¹(	**41.34**	37.00

(1) See "Non-IFRS Measures

Saturn's operating netbacks increased by $4.34 per barrel (12%) for the three months ended March 31, 2021, compared to the corresponding period in 2020. The 28% increase in commodity price per barrel received during Q1 2021 was offset by higher royalties and operating costs per barrel for Q1 2021.

General and Administrative Expenses

	Three Months Ended March 31	
($, except per unit amounts)	**2021**	**2020**
General and administrative expenses	**432,734**	348,215
Per bbl	**20.64**	5.42

General and administrative expenses for the three months ended March 31, 2021 were 24% higher than for the three months ended March 31, 2020 due to increased costs for legal and other fees during Q1 related to the acquisition announced in May 2021. The increase in general and administrative costs for per barrel for Q1 2021 is the result of 67% lower production during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

Share-based Compensation

	Three Months Ended March 31	
($, except per unit amounts)	**2021**	**2020**
Share based payments	**(102,421)**	172,104
Per bbl	**(4.89)**	2.68

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 32,275,000 common shares of the Company. Under the plan, the exercise price of each option shall not be less than the discounted market price of the Company's common shares on the grant date. The options can be granted with a maximum term of five years. The options granted vest either as to 25% on the date of grant and 12.5% at the end of every quarter after the grant date or as to 10% on the date of grant and 7.5% at the end of every quarter after the grant date. Vesting is determined by the Board of Directors. During the three months ended March 31, 2021, the Company $105,990 related to stock-based compensation and recorded a reversal of stock-based compensation of $208,411 related to options forfeit during the year.

Interest

	Three Months Ended March 31	
($, except per unit amounts)	**2021**	**2020**
Interest	**1,116,408**	1,044,056
Per bbl	**53.25**	16.25

The Company incurred interest on various long term debt facilities, of which the largest facility is a US$20 secured reserve-based revolving note facility with Prudential Securities. The interest on this facility is paid monthly at the U.S. prime rate plus 10.75% per annum. The interest expense for the three months ended March 31, 2021 is comparable to the three months ended March 31, 2020 as the average debt outstanding was similar in each quarter.

Amortization and depletion

($, except per unit amounts)	Three Months Ended March 31, 2021	2020
Amortization and depletion	**578,756**	1,743,468
Per bbl	**27.61**	27.14

Amortization and depletion expense for the three months ended March 31, 2020 decreased by 67% compared to the prior quarter due to the 67% decrease in production volumes from Q1 2020 to Q1 2021. For the three months ended March 31, 2021, amortization and depletion was consistent on a per barrel basis as compared to the three months ended March 31, 2020, reflecting the decrease in production between the periods.

The Company's property, plant and equipment assets are grouped into one cash generating unit ("CGU") for impairment testing. As a result of the recent increase in oil commodity prices, the Company did not note any indicators of impairment as at March 31, 2021 related to the property, plant and equipment.

Commodity Price and Risk Management

($, except per unit amounts)	Three Months Ended March 31 2021	2020
Realized gain on derivative instruments	**-**	288,015
Unrealized gain (loss) on derivative instruments	**(47,000)**	3,284,274
Total gain (loss) on derivative instruments	**(47,000)**	3,572,289
Per bbl		
Realized gain (loss) on derivative instruments	**-**	4.48
Unrealized gain (loss) on derivative instruments	**1.51**	51.08

At March 31, 2021, the Company did not have any derivative risk management contracts outstanding.

Revolving Notes

	March 31, 2021	**December 31, 2020**
Prudential Capital Energy Partners, L.P.	$ 22,366,938	$ 22,353,480
Prudential Capital Energy Partners Management Fund	2,790,642	2,788,963
Balance, end of period	25,157,580	25,142,443
Less: current	25,157,580	25,142,443
Non-current	$ -	$ -

On September 14, 2018, the Company entered into a US $20 million secured reserve-based revolving note facility ("Revolving Notes") from Prudential Capital Energy Partners, L.P. and Prudential Capital Energy Partners Management Fund. As at December 31, 2020, the Company has drawn US$19.7 million (CDN$25.1 million equivalent using the December 31, 2020 exchange rate) under the Revolving Note. Commencing October 12, 2018, on or before the tenth business day of each calendar month, the Company's mandatory prepayment of the note shall be an amount equal to (i) 100% of net proceeds of production for such month less, without duplication, general and administrative ("G&A") costs for such month in an amount such that the total for such month and such fiscal year shall not exceed the G&A costs cap, plus (ii) all proceeds from any sales and other dispositions of oil and gas properties. Interest is paid monthly at the U.S. prime rate plus 10.75% per annum.

The determination of the borrowing base is made by the lenders, in their sole discretion, taking into consideration the estimated value of the Company's oil properties in accordance with the lenders' customary practices for oil and gas loans. The borrowing base is subject to a quarterly redetermination.

The revolving notes are secured by a senior security agreement in favor of the note holders valid and enforceable liens, subject only to permitted encumbrances, on all right, title and interest of the respective Company. The Facility is due September 22, 2022.

In 2018, the Company also issued 30,505,122 warrants related to the revolving notes. These were determined to be derivatives and have been recognized as a liability as the warrant holder has the option to exercise without providing cash and it receives the number of shares based on the Company share price at the exercise date. The warrants have been recognized as part of loan financing costs and corresponding amount has been included in warrant liability and was determined to have a fair value of $5,147,334 at inception using the Black Scholes model and the assumptions noted below. At March 31, 2021, warrant liability was increased by $308,205, (2020 – 892,309 gain) and a corresponding unrealized loss recognized in the profit or loss. The warrants were valued using a Black Scholes model based on the following assumptions at inception and year-end: exercise prices of $0.235, share price of $0.25 at inception and $0.135 at period-end (2020 – $0.19), terms of maturity date of September 15, 2022, volatility of 98% (2020 – 94%), dividend yield of nil and risk-free interest rates of 1.88% at inception and 2.23% at year-end.

Covenants

The note purchase agreement for the revolving notes contains various covenants on the part of the Company including covenants that place limitations on certain types of activities, including restrictions or requirements with respect to additional debt, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. The financial covenants are as follows:

- total leverage ratio, pursuant to which the ratio of adjusted indebtedness to earnings before interest, taxes, depreciation, and extraordinary items (“EBITDAX”) for the four quarters most recently ended cannot exceed 3.5 to 1.0;

  For the calculation, EBITDAX is defined as for any period with respect to the Company and its consolidated Subsidiaries, without duplication, (a) Consolidated Net Income for such period plus (b) to the extent deducted in determining Consolidated Net Income, Financing Charges, exploration expenses, income taxes, depreciation, depletion, amortization and other non-cash items of expense for such period (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP and including non-cash charges resulting from stock based compensation and write downs on assets and non-cash losses resulting from the Hedge Termination Value of outstanding Hedging Transactions) for such period, losses attributable to extraordinary and non-recurring losses for such period minus (c) all non-cash items of income which were included in determining such Consolidated Net Income (including non-cash gains resulting from the Hedge Termination Value of outstanding Hedging Transactions) and earnings attributable to extraordinary and non-recurring gains for such period; provided that such EBITDAX shall be subject to pro forma adjustments for Material Acquisitions and Material Dispositions assuming that such transactions had occurred on the first day of the applicable calculation.

- interest coverage, pursuant to which the ratio of EBITDAX for the four quarters most recently ended to financing charges to be less than 2.25 to 1.00;

- asset coverage, pursuant to the adjusted PV10 to indebtedness to be less than 1.35 to 1.00.

For the calculation, PV 10 is defined as at any time, the discounted future net revenue from Proved Oil and Gas Properties at such time, as reflected in the most recent determination thereof certified by a Responsible Officer and delivered by the Company as applicable, and calculated using Average Strip Pricing and adjusted to reflect (a) Specified Assumptions and (b) the full effect of Hedging Transactions of the Company and its Subsidiaries; provided that not less than 70% of such discounted future net revenue shall be from PDP Reserves.

The Company was in breach of the covenants at March 31, 2021 and as a result the balance of the revolving notes has been classified to current.

Subsequent to March 31, 2021, the revolving note facility is expected to be amended to be senior secured notes, extended to November 2024 and subordinated to a new Senior Secured Term Loan, with interest payable 7.5% cash and 7.5% payment in kind.

Related Party Transactions

The Company incurred the following transactions with directors, officers and other key management personnel:

	Three Months Ended March 31	
	2021	2020
Key management compensation	**135,699**	146,250
Legal fees	**548**	2,843
Rent expense recovery	**-**	(17,819)
Share based payments	**64,370**	137,971

As at March 31, 2021, the Company owed $nil (2020 - $nil) to its directors, officers, other key management personnel of the Company, or companies controlled by officers of the Company.

NON–IFRS MEASURES

This document contains the terms “operating netback”, “netbacks”, “net debt”, and “adjusted EBITDAX” which are non-IFRS financial measures. The Company uses these measures to help evaluate its performance. These non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

(a) **Operating Netback** - Management uses certain industry benchmarks, such as operating netback, to analyze financial and operating performance. These benchmarks do not have standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback equals the sales of oil and gas less royalties and operating expenses on a per bbl or per boe basis. Management considers operating netback an important measure to evaluate its operational performance, as it demonstrates field level profitability relative to current commodity prices. The calculation of the Company’s netbacks can be seen on page 6 in the section titled “Operating Netback”.

(b) **Net Debt -** Management closely monitors its capital structure with a goal of maintaining a strong balance sheet to fund the future growth of the Company. The Company monitors net debt as part of its capital structure. Net debt 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 Company calculates net debt as the sum of the long-term debt and lease obligation, less working capital (or plus working capital deficiency). Management uses net debt as an alternative measure of outstanding debt and considers net debt an important measure to assist in assessing the liquidity of the Company. The following outlines the Company’s calculation of net debt:

	March 31, 2021	December 31, 2020
Warrant liability	**1,340,443**	1,032,238
Convertible notes	**2,075,816**	2,037,654
Promissory notes	**906,454**	853,087
Lease liabilities	**402,830**	435,011
Total debt	**4,725,543**	4,357,990
Working capital:		
Current assets	**661,526**	1,399,181
Less: current liabilities	**(31,888,849)**	(31,935,612)
Working capital deficiency	**31,227,323**	30,536,431
Net debt	**35,952,866**	34,894,421

(a) **Adjusted EBITDAX –** for any period with respect to the Company without duplication, Net Income for such period, plus (b) to the extent deducted in determining Net Income, Financing Charges, exploration expenses, income taxes, depreciation, depletion, amortization and other non-cash items of expense for such period (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP and including non-cash charges resulting from stock based compensation and write downs on assets and non-cash losses resulting from the Hedge Termination Value of outstanding Hedging Transactions), losses attributable to extraordinary and non-recurring losses for such period, minus (c) all non-cash items of income which were included in determining such Consolidated Net Income (including non-cash gains resulting from the Hedge Termination Value of outstanding Hedging Transactions) and earnings attributable to extraordinary and non-recurring gains for such period; provided that such EBITDAX shall be subject to pro-forma adjustments for Material Acquisitions and Material Dispositions assuming that such transactions had occurred on the first day of the applicable calculation period for the ratios set forth in Section 11.1, which adjustments shall be made in a manner reasonably acceptable to the Required Holders.

	Three Months Ended	
($)	**March 31, 2021**	**March 31, 2020**
Net income (loss)	**(1,529,137)**	657,851
EBITDAX adjustments	**1,963,085**	1,396,063
Adjusted EBITDAX	**433,948**	2,053,914

RISKS AND UNCERTAINTIES

Factors beyond Saturn's control may determine whether any oil and gas reserves the Company discovers are sufficiently economic to be developed.

The determination of whether oil and gas deposits are economic is affected by numerous factors beyond Saturn's control. These factors include market fluctuations for oil and gas; the costs of access and surface rights; and government regulations governing prices, taxes, royalties, land tenure, land use, importing and exporting of resources and environmental protection.

Land reclamation requirements for exploration and development properties may be burdensome.

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

Saturn faces industry competition for the acquisition of exploration and development properties and the recruitment and retention of qualified personnel.

Saturn competes with other exploration companies, many of which have greater financial resources or are further along in their development, for the acquisition of oil and gas leases and as well as for the recruitment and retention of qualified employees and other personnel. If Saturn requires and is unsuccessful in acquiring additional properties or personnel, the Company will not be able to grow at the rate desired.

Capital management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or return capital to shareholders. Management reviews its approach to capital management on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the quarter ended March 31, 2021.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at March 31, 2021, the Company had $263,744 (December 31, 2020 - $569,111) in cash and cash equivalents and $31,888,849 (December 31, 2020 - $31,935,612) in current liabilities. The Company is exposed to liquidity risk.

The Company manages its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

The following are the expected maturities of its financial liabilities as at March 31, 2021:

	<1 Year	1-2 Years	>2 Years
Accounts payable and accrued liabilities	$ 6,077,112	$ -	$ -
Promissory notes	479,157	906,454	-
Convertible notes	-	2,075,816	-
Revolving notes	25,157,580	-	-
Lease liabilities	175,000	402,830	-

At March 31, 2021, $2.8 million of accounts payable and accrued liabilities were outstanding more than 365 days.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and amounts receivable. All of the Company's revenue is marketed with a single company. The related receivable from the marketing company as at March 31, 2021 was collected subsequent to March 31, 2021. The risk is mitigated by only dealing with credit worthy companies.

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated revolving notes. A 10% strengthening or weakening of the US dollar will contribute a $2.50 million increase or decrease to the Company's net loss before tax (2019 – $2.5 million). The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Revolving Notes fluctuates with the interest rates posted by the lenders. The Company is exposed to interest rate risk related to borrowings are drawn under the Revolving Notes. A change in prime interest rates by 1% would have changed net loss by approximately $73,500 for the three months ended March 31, 2021 (2020 – $172,500) assuming all other variables remain constant.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to explore its resource properties and future profitability of the Company are directly related to the market price of commodities. Prices for oil are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand. At March 31, 2021, no derivative instruments were outstanding.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

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

USE OF ESTIMATES

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

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

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

a) The recoverability of accounts receivable and due from related parties which is included in the condensed interim statement of financial position;
b) The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the condensed interim statement of financial position;
c) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants;
d) Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the condensed interim financial statements of future periods could be material.
e) Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the risk free discount rate used.; and
f) In the determination of fair value for convertible notes, the Corporation uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, the Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.
g) Derivative risk management contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include Black-Scholes option valuation model and forward pricing and swap models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange

spot and forward rates, volatilities of commodity prices and forward rate curves of the underlying commodity. Changes in any of these assumptions would impact fair value of the risk management contracts and as a result, future net income and other comprehensive income.

h) Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.
i) Amounts recorded for capitalized general and administrative cost that is related to directly attributed supporting functions and activity to post-license exploration and evaluation assets and to development and producing properties requires the use of estimates and judgments and is by its nature subject to measurement uncertainty.
j) Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew by considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to Saturn's company-specific incremental borrowing rate. This rate represents the rate that Saturn would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements include, but are not limited to, the following:

a) Going concern of operations;
b) Determination of categories of financial assets and liabilities;
c) Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment; and
d) The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based partially on proved and probable reserves.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUPPLEMENTAL QUARTERLY INFORAMTION

The following tables summarize key financial and operating information for the periods indicated.

	Three Months Ended			
	March 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020
Oil sales	1,321,794	1,830,503	2,127,294	425,624
Net (loss)	(1,529,137)	(4,597,659)	(795,535)	(3,022,826)
per share (basic)	(0.01)	(0.02)	(0.00)	(0.01)
per share (diluted)	(0.01)	(0.02)	(0.00)	(0.01)
Net capital expenditures	-	687,367	417,941	107,101
Total assets	41,782,527	43,084,672	44,359,651	44,833,705
Production (barrels per day)	233	415	499	136
Average commodity prices:				
Oil ($ per barrel)	63.05	47.96	46.31	34.31

	Three Months Ended			
	March 31, 2020	Dec 31, 2019	Sept 30, 2019	June 30, 2019
Oil sales	3,165,453	4,454,008	3,798.438	5,461,802
Net income (loss)	657,851	(1,440,670)	(552,890)	1,186,963
per share (basic)	0.00	(0.01)	(0.00)	0.01
per share (diluted)	0.00	(0.01)	(0.00)	0.01
Net capital expenditures	542,265	6,536,334	4,893,914	1,050,717
Total assets	49,796,086	48,249,056	43,625,969	48,249,056
Production (barrels per day)	706	732	686	857
Average commodity prices:				
Oil & NGL ($ per barrel)	49.24	66.14	64.55	70.05

Significant factors and trends that have impacted the Company's results during the past eight fiscal quarters include the following:

- Revenue and royalties are significantly impacted by underlying commodity prices.
- Due to the decrease in commodity prices in early 2020., production was shut in during April and May of 2020, resulting in 136 barrels per day of production in the three months ended June 30, 2020.
- No new wells were drilling from December 2019. Natural production declines resulted in lower production in each quarter in 2020 and for Q1 2021.

ADVISORY REGARDING OIL AND GAS INFORMATION

Where applicable, oil equivalent (BOE) amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. The use of BOE amounts may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

References herein to average 30-day initial production rates and other short-term production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for Saturn or the assets for which such rates are provided. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the Company cautions that the test results should be considered to be preliminary.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

OTHER MD&A REQUIREMENTS

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

DIRECTORS AND OFFICERS

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

John Jeffrey	*Chief Executive Officer and Director*
Justin Kaufmann	*Vice President of Exploration*
Stuart Houle	*Vice President of Engineering*
Ivan Bergerman	*Director*
Calvin J. Payne	*Director*
Christopher Ryan	*Director*
Jim Payne	*Director*

FORWARD-LOOKING INFORMATION

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

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

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

RECENT ACCOUNTING POLICIES

Please refer to the March 31, 2021 unaudited condensed interim financial statements on www.sedar.com.

FINANCIAL INSTRUMENTS

Please refer to the March 31, 2021 unaudited condensed interim financial statements on www.sedar.com.