SATURN OIL AND GAS INC.
MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is a review of the operational and financial results and outlook for Saturn Oil and Gas Inc. ("Saturn" or the "Company") for the year ended December 31, 2021 and 2020. This MD&A is dated and based on information available as at April 25, 2022 and should be read in conjunction with Company's audited annual consolidated financial statements ("financial statements") and the notes thereto for the years December 31, 2021 and 2020. Financial data presented has been prepared in accordance with International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP"), unless otherwise indicated. Additional information relating to Saturn, including Saturn's Annual Information Form for the year ended December 31, 2021, is available on SEDAR at www.sedar.com and Saturn's website at www.saturnoil.com.

DESCRIPTION OF THE BUSINESS

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

STRATEGIC ACQUISITION

On June 7, 2021, Saturn closed a transformational acquisition (the "Acquisition" or the "Oxbow Acquisition") of assets in the Oxbow area of Southeast Saskatchewan (the "Oxbow Asset"). The Company acquired approximately 6,400 boe/d at closing date with over 450 net sections of land, largely positioned across one of the most economic oil plays in North America. The Acquisition enhances Saturn's financial and operational strength through the addition of a high-quality and very low decline (12%) light oil asset base that is projected to generate robust cash flow at current prices. The Oxbow Asset produces primarily from the Frobisher and Midale formations and feature a sizeable inventory of targets for workover, optimization and development drilling. The Acquisition closed for total cash consideration of $82.3 million, after final closing adjustments, and was funded through proceeds from a new $87.0 million senior secured term loan, an upsized and oversubscribed brokered private placement and a non-brokered private placement (collectively the "Private Placements") which raised total gross proceeds of $32.2 million.

SUBSEQUENT EVENTS

Subsequent to year end, the Company closed a Bought Deal Offering and Non-Brokered Private Placement for total gross proceeds of $20.6 million, completed a debt consolidation by expanding its Senior Term Loan with its senior secured lender to an aggregate principal amount of $103.2 million concurrent with retiring the second-lien Term Notes for $32.1 million (US$25.3 million) and completed a strategic acquisition acquiring certain oil & gas assets in the Plato area of West-Central Saskatchewan for total consideration of $7.6 million, after interim closing adjustments. The debt consolidation combined with the equity financings serve to strengthen the Company's balance sheet and increase liquidity allowing it to capitalize on the rising price environment by expanding it's 2022 capital program and take advantage of synergistic attractive acquisitions.

Q4 2021 HIGHLIGHTS

- Achieved fourth quarter average production of 7,279 boe/d in 2021 compared to 415 boe/d in the fourth quarter of 2020;
- Generated adjusted funds flow (see "Non-GAAP Measures and Ratios") of $9.7 million and $27.3 million in the three and twelve months ended December 31, 2021 compared to $1.2 million and $3.5 million in the comparable 2020 periods primarily due to contributions from the operations of the Oxbow Asset;
- Achieved operating netbacks (see "Non-GAAP Measures and Ratios") for the three and twelve months ended December 31, 2021 of $35.66 per boe and $36.38 per boe;
- Invested $3.6 million development capital in the fourth quarter drilling four 100% working interest Frobisher wells;
- Generated fourth quarter free adjusted funds flow (see "Non-GAAP Measures and Ratios") of $5.7 million, excluding property acquisition expenditures of $2.8 million relating to the Oxbow Asset; and
- Exited the fourth quarter with $71.1 million net debt (see "Non-GAAP Measures and Ratios"), realizing an annualized net debt to adjusted funds flow of 1.8x (see "Non-GAAP Measures and Ratios").

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended December 31,		Year ended December 31,	
($000s, except per share amounts)	**2021**	2020	**2021**	2020
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales	**54,481**	1,831	**116,214**	7,549
Cashflow from (used in) operating activities	**13,033**	976	**(1,285)**	851
per share - Basic	**0.52**	0.08	**(0.07)**	0.07
- Diluted	**0.31**	0.08	**(0.07)**	0.07
Adjusted funds flow [(1)]	**9,731**	1,238	**27,348**	3,473
per share - Basic	**0.39**	0.11	**1.41**	0.30
- Diluted	**0.23**	0.10	**1.25**	0.27
Net loss	**(10,629)**	(4,596)	**(65,061)**	(7,758)
per share - Basic	**(0.42)**	(0.39)	**(3.36)**	(0.60)
- Diluted	**(0.42)**	(0.39)	**(3.36)**	(0.60)
Property acquisition	**2,818**	-	**82,297**	-
Capital expenditures	**4,048**	370	**8,694**	51
Total assets	**221,106**	40,314	**221,106**	40,314
Net debt[(1)], end of period	**71,054**	32,859	**71,054**	32,859
Shareholders' equity (deficit)	**(30,306)**	3,606	**(30,306)**	3,606
Common shares outstanding, end of year	**25,165**	11,728	**25,165**	11,728
Weighted average, basic	**25,151**	11,728	**19,339**	11,728
Weighted average, diluted	**41,626**	12,751	**21,960**	12,685
OPERATING HIGHLIGHTS				
Average Production Volumes				
Crude oil (bbls/d)	**6,549**	415	**3,759**	439
NGLs (bbls/d)	**356**	-	**176**	-
Natural gas (mcf/d)	**2,246**	-	**1,089**	-
Total boe/d	**7,279**	415	**4,117**	439
% Oil and NGLs	**95%**	100%	**96%**	100%
Average realized prices				
Crude oil ($/bbl)	**87.88**	47.96	**82.22**	46.98
NGLs ($/bbl)	**50.14**	-	**42.77**	-
Natural gas ($/mcf)	**4.59**	-	**4.11**	-
Processing expenses ($/boe)	**(2.67)**	-	**(1.64)**	-
Petroleum and natural gas revenue ($/boe)	**80.26**	47.96	**76.35**	46.98
Operating netbacks				
Petroleum and natural gas revenue ($/boe)	**80.26**	47.96	**76.35**	46.98
Royalties ($/boe)	**(14.19)**	(5.71)	**(12.01)**	(2.41)
Net operating expenses [(1)] ($/boe)	**(29.77)**	(12.89)	**(27.22)**	(11.71)
Transportation expenses ($/boe)	**(0.64)**	-	**(0.74)**	-
Operating netbacks [(1)] ($/boe)	**35.66**	29.36	**36.38**	32.86
Realized gain (loss) on financial derivatives ($/boe)	**(14.21)**	9.51	**(10.67)**	12.65
Operating netbacks [(1)] after realized gain (loss) on financial derivatives ($/boe)	**21.45**	38.87	**25.71**	45.51

(1) See "Non-GAAP Financial Measures and Ratios"

PRODUCTION

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Crude oil (bbls/d)	**6,549**	415	**3,759**	439
NGLs (bbls/d)	**356**	-	**176**	-
Natural gas (mcf/d)	**2,246**	-	**1,089**	-
Total boe/d	**7,279**	415	**4,117**	439

Total average production volumes increased to 7,279 boe/d in the fourth quarter of 2021 from 415 boe/d in the fourth quarter of 2020. Year to date, average production volumes increased to 4,117 boe/d from 439 boe/d for the same period in 2020. The increases reflect production from the newly acquired Oxbow Asset which averaged 7,015 boe/d during the fourth quarter of 2021 and 6,822 boe/d since acquisition date. The core producing properties acquired are geologically concentrated within the Mississippian aged Midale and Frobisher oil formations of Southeast Saskatchewan. Production from the Company's Viking assets located in West Central Saskatchewan (the "Viking Asset") produced approximately 264 bbls/d in the fourth quarter of 2021, down 36% from 415 bbls/d from the fourth quarter of 2020 due to natural declines.

PETROLEUM AND NATURAL GAS REVENUE

	Three months ended December 31,		Year ended December 31,	
($000s)	**2021**	2020	**2021**	2020
Crude oil	**52,951**	1,831	**112,802**	7,549
NGLs	**1,643**	-	**2,750**	-
Natural gas	**948**	-	**1,633**	-
Gross petroleum and natural gas revenue (1)	**55,542**	1,831	**117,185**	7,549
Less: Processing expenses	**(1,788)**	-	**(2,462)**	-
Petroleum and natural gas revenue	**53,754**	1,831	**114,723**	7,549

(1) See "Non-GAAP Financial Measures and Ratios"

Gross petroleum and natural gas revenue in the fourth quarter of 2021 was $55.5 million compared to $1.8 million in the fourth quarter of 2020. Year to date, Gross petroleum and natural gas revenue was $117.2 million compared to $7.5 million for the same period in 2020. The increases primarily relate to additional volumes associated with the Oxbow Acquisition compounded by higher realized prices. Certain gas processing expenses are deducted from gross realized prices received due to product custody transfer at the gas processing terminal inlet. The Company presents this on a gross and net basis to demonstrate the actual realized prices received prior to netting. The above adjustments do not have an impact on the Company's netback.

BENCHMARK AND REALIZED PRICES

	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Average benchmark prices				
WTI (US$/bbl) (1)	**77.19**	42.66	**67.92**	38.32
Exchange rate (US$/$C)	**1.26**	1.35	**1.28**	1.35
WTI (C$/bbl)	**97.28**	57.59	**86.90**	51.73
MSW Par at Edmonton ($/bbl) (2)	**93.15**	49.98	**80.08**	43.57
Midale Par at Cromer ($/bbl)	**95.75**	55.16	**83.92**	48.94
LSB Par at Cromer ($/bbl) (3)	**94.34**	51.85	**81.36**	44.78
AECO natural gas ($/mcf) (4)	**4.66**	2.64	**3.62**	2.09
Average realized prices				
Crude oil ($/bbl)	**87.88**	47.96	**82.22**	46.98
NGLs ($/bbl)	**50.14**	-	**42.77**	-
Natural gas ($/mcf)	**4.59**	-	**4.11**	-
Processing expenses ($/boe)	**(2.67)**	-	**(1.64)**	-
Petroleum and natural gas revenue ($/boe)	**80.26**	47.96	**76.35**	46.98

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

For the three months and year ended December 31, 2021, the Company realized a combined average realized price for its petroleum and natural gas revenue of $80.26 per boe and $76.35 per boe versus $47.96 per boe and $46.98 per boe in the comparable 2020 periods.

The majority of the Company's revenue base is from the sale of crude oil which varies based on sales point and certain par prices. The Company's realized price for crude oil from the Oxbow Acquisition in Southeast Saskatchewan is primarily based on the LSB and Midale par prices at Cromer, while the Viking production in West Central Saskatchewan is primarily based on the MSW Par price at Edmonton. The Company's average realized oil price for the fourth quarter was $87.88 per bbl, an 83% increase from $47.96 per bbl in the fourth quarter of 2020. The Company's average realized oil price for the year ended December 31, 2021, was $82.22 per bbl, a 75% increase from $46.98 per bbl in the year ended December 31, 2020.

RISK MANAGEMENT AND COMMODITY FINANCIAL DERIVATIVES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Realized gain (loss) on derivatives	**(9,519)**	363	**(16,038)**	2,033
Unrealized gain (loss) on derivatives	**(7,764)**	(334)	**(74,570)**	243
Realized gain (loss) on derivatives $ per boe	**(14.21)**	9.51	**(10.67)**	12.65

The Company uses commodity risk management contracts which are classified as financial derivatives to manage exposure to commodity price volatility. Details of open commodity contracts as at December 31, 2021 are described in "Market Risk" section below.

For the three months and year ended December 31, 2021, the Company realized a loss on its financial commodity contracts of $9.5 million and $16.0 million, compared to gains of $0.4 million and $2.0 million in the respective 2020 periods. Saturn has not designated any financial commodity contracts as hedges, and as a result the unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. At December 31, 2021, the outstanding financial commodity contracts had a net liability of $74.6 million.

ROYALTIES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Royalties	**9,502**	218	**18,050**	387
As a % of petroleum and natural gas revenue	**17.1%**	11.9%	**15.4%**	5.1%
$ per boe	**14.19**	5.71	**12.01**	2.41

Royalties as a percentage of petroleum and natural gas revenue in the fourth quarter of 2021 were 17.1 percent compared to 11.9 percent in the fourth quarter of 2020. Year to date, royalties as a percentage of revenues were 15.4 percent compared to 5.1 percent for the same period in 2020. The increases in royalty rates were primarily attributable to the Oxbow Acquisition which had higher royalties associated than the Company's Viking Asset.

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

NET OPERATING EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Operating expenses	**20,665**	492	**42,392**	1,882
Less: processing income	**(727)**	-	**(1,491)**	-
Net operating expenses [(1)]	**19,938**	492	**40,901**	1,882
$ per boe [(1)]	**29.77**	12.89	**27.22**	11.71

(1) See "Non-GAAP Financial Measures and Ratios"

Net operating expenses per boe for the three months and year ended December 31, 2021, were $29.77 and $27.22 compared to $12.89 and $11.71 in the comparable 2020 periods. The increases are primarily attributable to the Oxbow Acquisition which had higher net operating expenses per boe than the Company average for the same periods in 2020.

TRANSPORTATION EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Transportation expenses	**429**	-	**1,107**	-
$ per boe	**0.64**	-	**0.74**	-

Transportation expenses per boe were $0.64 and $0.74 in the three months and year ended December 31, 2021. The increases in transportation expenses were attributable to transportation costs associated with the Oxbow Acquisition.

OPERATING NETBACKS

The components of Operating Netbacks are set out below:

	Three months ended December 31,		Year ended December 31,	
($ per boe amounts)	**2021**	2020	**2021**	2020
Petroleum and natural gas revenue [(1)]	**80.26**	47.96	**76.35**	46.98
Royalties	**(14.19)**	(5.71)	**(12.01)**	(2.41)
Net operating expenses [(1)]	**(29.77)**	(12.89)	**(27.22)**	(11.71)
Transportation expenses	**(0.64)**	-	**(0.74)**	-
Operating netbacks [(1)]	**35.66**	29.36	**36.38**	32.86
Realized gain (loss) on financial derivatives	**(14.21)**	9.51	**(10.67)**	12.65
Operating netbacks after realized gain (loss) on financial derivatives [(1)]	**21.45**	38.87	**25.71**	45.51

(1) See "Non-GAAP Financial Measures and Ratios"

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
General and administrative expenses	**1,383**	514	**3,802**	1,310
$ per boe	**2.06**	13.46	**2.53**	8.15

General and administrative ("G&A") expenses in the three months and year ended December 31, 2021, were $1.4 million and $3.8 million compared to $0.5 million and $1.3 million in the comparable 2020 periods. The increases in G&A expenses was largely attributable to the expanded employee base and associated growth costs of the organization post Oxbow Acquisition.

DEPLETION, DEPRECIATION AND AMORTIZATION

	Three months ended December 31,		Year ended December 31,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Depletion, depreciation and amortization	**6,290**	915	**16,226**	4,523
$ per boe	**9.39**	23.97	**10.80**	28.15

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

DD&A in the fourth quarter of 2021 was $9.39 per boe, a decrease from $23.97 per boe in the fourth quarter of 2020. DD&A in the year ended December 31, 2021 was $10.80 per boe, a decrease from $28.15 per boe in the comparative 2020 period. The decrease in DD&A on a per boe basis in the three months and year ended December 31, 2021, was primarily due to a larger relative increase in the reserve base over the depletable base as a result of the Oxbow Acquisition.

SHARE BASED COMPENSATION

The Company has an incentive stock option plan (the "Option Plan") in place under which it is authorized to grant stock options to directors, officers, and employees enabling them to acquire common shares of the Company upon exercise. The stock options granted pursuant to the Option Plan are granted for maximum term of 5 years, and vest either at 25% upon grant and 12.5% at the end of every quarter after the grant date, 10% upon grant and 7.5% at the end of every quarter after the grant date, or 1/3 on each of the first, second and third anniversary after the grant date. Vesting conditions are determined by the Board of Directors.

For the three months and year ended December 31, 2021, the Company recorded share-based compensation of $0.2 million and $0.5 million compared to $0.2 million and $0.7 million for the respective 2020 periods. The decrease in share-based compensation expense for the year ended December 31, 2021 is primarily due to a reversal of unvested share-based compensation following employee turnover.

FINANCING EXPENSES

	Three months ended December 31,		Year ended December 31,	
($000s)	**2021**	2020	**2021**	2020
Interest expense, cash	**3,227**	963	**7,718**	3,163
Interest expense, paid in kind	**595**	123	**2,703**	991
Amortization of debt issue costs and original issue discount	**1,245**	4,193	**3,251**	5,699
Accretion, debt instruments	**54**	60	**394**	240
Accretion, leases	**140**	12	**332**	54
Accretion, decommissioning obligations	**1,715**	9	**3,579**	35
Total financing costs	**6,976**	5,360	**17,977**	10,182

Financing expenses for the three months and year ended December 31, 2021, were $7.0 million and $18.0 million compared to $5.4 million and $10.2 million in the comparable 2020 periods. The increases in financing expenses relate primarily to interest on the Senior Term Loan the Company entered into in June 2021, associated amortization on the debt issue costs and original issue discount and accretion on decommissioning obligations related to the Oxbow Acquisition.

FOREIGN EXCHANGE

	Three months ended December 31,		Year ended December 31,	
($000s)	**2021**	2020	**2021**	2020
Realized gain (loss) on foreign exchange	**(24)**	566	**241**	510
Unrealized gain (loss) on foreign exchange	**136**	451	**(21)**	(191)
Total foreign exchange gain	**112**	1,017	**220**	319

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

GAIN ON WARRANT EXTINGUISHMENT AND LIABILITY

The Company issued 2,190,000 common share purchase warrants in connection with the Term Notes on June 7, 2021. The warrants have been recognized as part of debt issue costs with a corresponding amount recorded to warrant liability which was determined to have a fair value of $4.8 million at inception using the Black-Scholes option pricing model. On December 31, 2021, the warrant liability was determined to have a fair value of $4.9 million resulting in a $0.1 million unrealized loss recognized in profit or loss for the year ended December 31, 2021.

In the second quarter of 2021, the Company cancelled 1,525,256 common share purchase warrants related to the Revolving Notes. The warrants had been recognized as debt issue costs and a corresponding amount was included in warrant liability. As at December 31, 2020, the warrants had a fair value of $1.0 million using a Black-Scholes option pricing model. Prior to cancellation, the warrants were determined to have a fair value of $1.7 million resulting in a $0.7 million unrealized loss recognized in profit before cancellation. Upon cancellation, the remaining fair value of $1.7 million was recognized in profit or loss for the year ended December 31, 2021.

GAIN ON ACQUISITION

On June 7, 2021 the Company completed the Oxbow Acquisition. The Acquisition was completed for total cash consideration of $82.3 million, after final adjustments, with $2.5 million of transaction costs expensed on the statement of loss and comprehensive loss. Transaction costs included $1.9 million in fees and commission and $0.6 million in broker compensation options. The Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

($000's)	**June 7, 2021**
Property, plant and equipment	132,897
Asset retirement obligation	(40,213)
Deferred income tax liability	(2,597)
Net assets acquired	**90,087**
Cash consideration	82,297
Gain on acquisition	**(7,790)**

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

DEFERRED TAXES

For the three months and year ended December 31, 2021, the Company recognized a deferred income tax expense of $0.7 million and a recovery of $2.6 million compared to $nil in the comparative 2020 periods. The net income tax recovery is a result of a deferred tax asset recognition which offsets the deferred tax liability recorded net of property plant and equipment in the purchase price of the Oxbow Acquisition.

At December 31, 2021, the petroleum and natural gas assets and facilities owned by Saturn have an approximate tax basis of $104.0 million (December 31, 2020 - $47.5 million) available for deduction against future taxable income. The Company has approximately $21.6 million (December 31, 2020 - $6.7 million) in non-capital loss carryforwards available to reduce future taxable income which expire between 2031 and 2041.

NET LOSS

For the three months and year ended December 31, 2021, the Company realized a net loss of $10.6 million and $65.1 million compared to a net loss of $4.6 million and $7.8 million in the comparable 2020 periods. The changes in net loss primarily relate to the unrealized losses on financial derivative commodity contracts, partially offset by increased funds flow (see "Non-GAAP Measures") following the Oxbow Acquisition.

CASH FLOW FROM (USED IN) OPERATING ACTIVITIES AND FUNDS FLOW

The following table reconciles cash flow from (used in) operating activities to funds flow, adjusted funds flow and free adjusted funds flow, which are further described in the Non-GAAP Measures section of this MD&A:

	Three months ended December 31,		Year ended December 31,	
($000s)	**2021**	2020	**2021**	2020
Cash flow from (used in) operating activities	**13,033**	976	**(1,285)**	851
Changes in non-cash working capital	**(3,433)**	262	**26,722**	2,499
Funds Flow [(1)]	**9,600**	1,238	**25,437**	3,350
Decommissioning expenditures	**53**	-	**53**	-
Cash transaction costs	**78**	-	**1,858**	123
Adjusted funds flow [(1)]	**9,731**	1,238	**27,348**	3,473
PP&E expenditures	**(4,048)**	370	**(8,694)**	(51)
Free adjusted funds flow [(1)]	**5,683**	1,608	**18,654**	3,422

(1) See "Non-GAAP Financial Measures and Ratios"

Adjusted funds flow for the three months and year ended December 31, 2021, was $9.7 million and $27.4 million compared to $1.2 million and $3.5 million in the comparable 2020 periods. The increase in adjusted funds flow was primarily due to the Oxbow Acquisition which resulted in increased petroleum and natural gas sales, offset in part by increased royalties, operating expenses, transportation expenses, transaction costs and G&A, coupled with higher interest costs associated with the Senior Term Loan and increased realized losses on financial derivatives.

Cash flow from operating activities was $13.0 million in the fourth quarter of 2021 compared to $1.0 million in the fourth quarter of 2020. Cash flow used in operating activities in the year ended December 31, 2021 was $1.3 million compared to $0.9 million from operating activities in the comparable 2020 period. The change in cash flow from (used in) operating activities represents the increased funds flow related to the Oxbow Acquisition, offset by a $21.0 million deposit placed with the Saskatchewan Ministry of Energy and Resources in the second quarter of 2021.

CAPITAL EXPENDITURES

	Three months ended December 31,		Year ended December 31,	
($000s)	**2021**	2020	**2021**	2020
Geological and geophysical	**-**	-	**-**	-
Drilling and completions	**3,152**	-	**6,899**	-
Facilities	**467**	-	**811**	-
Land and lease	**-**	-	**90**	-
Capitalized G&A and other	**429**	(370)	**894**	51
PP&E expenditures	**4,048**	(370)	**8,694**	51
Exploration and evaluation expenditures	**-**	-	**-**	1,077
Property acquisition	**2,818**	-	**82,297**	-
Total capital expenditures	**6,866**	(370)	**90,991**	1,128

For the three months ended December 31, 2021, the Company drilled four operated, 100% working interest Frobisher wells and performed workovers/re-activations of existing non-producing wells. For the year ended December 31, 2021, the company drilled nine (net 7.5) wells into its West Central and Southeast Saskatchewan inventory. All nine of the wells were drilled successfully, brought on to production in the last half of the year, and are in-line with the Company's internal forecasted production rates of light oil. The workovers contributed additional light oil production throughout the fourth quarter, with strong capital efficiencies and production results exceeding internal expectations.

The property acquisition represents the cumulative net cash consideration related to the Oxbow acquisition following the final statement of adjustments.

LIQUIDITY AND CAPITAL RESOURCES

Senior Term Loan

On June 7, 2021, the Company entered into a $87 million senior secured term loan ("Senior Term Loan") at an original issue discount of 3.375% secured by a first-priority lien to all its real and personal assets, property and undertaking. The Company is required to make monthly principal repayments as follows: August 31, 2021 to July 31, 2022 of $3.6 million per month; August 31, 2022 to July 31, 2023 of $2.2 million per month; and August 31, 2023 to June 7, 2024 of $1.5 million per month. All principal repayments are subject to an exit fee of 2.5% of the aggregate principal amount of any such payment. The Senior Term Loan bears interest 11.5% per annum plus the applicable periodic Canadian dollar bankers' acceptance rates at a minimum rate of 1%. The Senior Term Loan has a stated maturity date of June 7, 2024. As at December 31, 2021, the Senior Term Loan had a total carrying amount of $65.1 million net of unamortized original issue discount and debt issue costs.

On February 28, 2022 the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan to an aggregate principal amount of $103.2 million.

The Senior Term Loan is subject to various covenants on the part of the Company. As at December 31, 2021, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the current key financial covenants as set forth in the credit agreement when the aggregate principal amount of the Senior Term Loan is greater than $24.0 million:

Covenant description	Covenant Ratio	**December 31, 2021**
PDP Asset Coverage Ratio Minimum (1)	1.75	3.20
Current Ratio Minimum (2)	1.00	1.00
First Lien Net Leverage Ratio Maximum (3)	1.75	1.02

(1) The ratio of (a) the PV10 of Saturn's proved developed producing ("PDP") reserves net of unrealized gain (loss) on financial derivatives, to (b) the carrying value of the Senior Term Loan net of cash.

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

(3) The ratio of (a) the Senior Term Loan net of cash, to (b) annualized earnings before interest, taxes, depreciation, amortization and other non-cash items ("EBITDA").

If the aggregate principal amount of the Senior Term Loan is less than $24.0 million, the above noted key financial covenants are amended and replaced with alternative covenants as disclosed in Note 12 to the Company's audited consolidated financial statements for the year ended December 31, 2021.

Term Notes

Concurrent with the expansion of the Senior Term Loan, the Company accelerated the retirement of the second-lien Term Notes for $32.1 million (US$25.3 million).

On June 7, 2021, Saturn entered into a restated and amended note purchase agreement to exchange US$19.7 million drawn on the US$20.0 million secured reserve-based revolving note facility ("Revolving Notes") plus accrued and unpaid interest of $2.0 million and replace them with $19.7 million in second priority senior secured cash/paid in kind ("Cash/PIK Notes") and $2.0 million in 15% second-priority senior secured term PIK notes ("PIK Notes") (collectively the "Term Notes") due December 7, 2024. The Cash/PIK Notes bear interest at a combined rate of 15% and are payable at a rate of 7.5% in cash per annum and 7.5% payable in kind accruing monthly and payable upon maturity. The PIK Notes bear interest at 15% and are payable in kind accruing monthly and payable upon maturity. As at December 31, 2021, the Term Notes had a carrying value of $24.1 million net of unamortized debt issue costs.

The key financial covenants of the Term Notes are dependent on the balance and lien status of the Senior Term Notes. Prior to the discharge of the first lien obligation of the Senior Term Notes and if the aggregate principal balance of the Senior Term loan is greater than $24.0 million, the key financial covenants of the Senior Term Loan align. If the aggregate principal balance of the Senior Term Loan is less than $24.0 million, the covenants are replaced with alternative covenants as disclosed in Note 13 to the Company's audited consolidated financial statements for the year ended December 31, 2021.

Convertible notes

As at December 31, 2021, the Company has a $1.2 million (December 31, 2020 - $1.0 million) and a $1.0 million (December 31, 2020 - $0.8 million) convertible note payable due to a shareholder. Each note bears interest at 5% per annum and is subordinated until July 2024. The convertible note payable and unpaid interest is convertible into shares of the Company at the option of the holder at a conversion price of $2.00 per share for the $1.2 million convertible note and at $3.00 per share for the $1.0 million convertible note. As at December 31, 2021, the convertible notes had a carrying value of $2.2 million.

Promissory note

As at December 31, 2021, the Company has a note payable to a shareholder in the amount of $0.8 million (December 31, 2020 - $0.8 million) which bears an interest of 2% and is subordinated until July 2024.

Liquidity

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

Subsequent to year end, on March 10, 2022, the Company completed a Bought Deal Offering and concurrent Non-Brokered Private Placement for total gross proceeds of $20.6 million.

Net debt

Management considers net debt a key measure in assessing the Company's liquidity. Saturn's net debt (see "Non-GAAP Measures") totaled $71.1 million as at December 31, 2021 compared to $32.9 million as at December 31, 2020. The Company's net debt to annualized fourth quarter adjusted funds flow was 1.8 times, a significant decrease from prior periods due to the transformational Oxbow acquisition funded by the Senior Term Loan and Private Placements completed in the second quarter of 2021. A summary of the Company's net debt and net debt to annualized adjusted funds flow is provided below:

($000)	**December 31, 2021**	December 31, 2020
Adjusted working capital (surplus) deficiency (1)	(21,086)	3,355
Senior Term Loan	65,055	-
Term Notes	24,104	-
Promissory notes	784	1,332
Convertible notes	2,197	2,038
Revolving Notes	-	26,134
Net debt (1)	71,054	32,859
Annualized quarterly adjusted funds flow (1)	38,924	4,952
Net debt to annualized adjusted funds flow (1)	1.8x	6.6x

(1) See "Non-GAAP Financial Measures and Ratios"

Off-balance sheet transactions

Saturn was not involved with any off-balance sheet transactions during the year ended December 31, 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

On June 4, 2021, the Company completed a Private Placement for gross proceeds of $32.2 million issuing 268,333,333 units (pre-consolidation) at a price of $0.12 per unit (pre consolidation). Each unit consisted of one common share (pre-consolidation) and one common share purchase warrant, with each twenty whole warrants entitling the holder to purchase one common share of the Company at a combined exercise price of $3.20 per share for a period of two years from the issue date. As at December 31, 2021, the warrants are fully vested and exercisable.

On October 13, 2021, the Company consolidated its common shares on the basis of twenty pre-consolidation common shares for one post-consolidation common share. All reference to common shares, warrants, stock options and broker compensation options (“Broker Options”) are post-consolidation unless otherwise noted. Certain warrants of the Company were not consolidated; however, post share consolidation twenty warrants are required to convert into one common share.

Subsequent to year end, on March 10, 2022, the Company completed a Bought Deal Offering and concurrent Non-Brokered Private Placement Offering (the “Offerings”) for total gross proceeds of $20.6 million. Pursuant to the Bought Deal Offering, the Company issued 6,141,000 units at a price of $3.00 per unit for gross proceeds of $18.4 million. Under the Company’s concurrent Non-Brokered Private Placement, the Company issued 730,000 units at price of $3.00 per unit for gross proceeds of $2.2 million. Each unit consisted of one common share and one common share purchase warrant of the Company. Each warrant will be exercisable at a price of $4.00 to acquire one common share of the Company for a period of three years from the issue date.

As at the date of this MD&A, December 31, 2021 and December 31, 2020, the following common shares are outstanding and/or remain issuable upon exercise of the underlying securities.

(000s) Number of securities	**April 25, 2022**	**December 31, 2021**	**December 31, 2020**
Common shares outstanding	**32,362**	**25,165**	**11,728**
Warrants	**22,803**	**15,607**	**1,525**
Stock options	**1,983**	**1,983**	**1,376**
Broker options	**1,930**	**1,783**	**-**
Restricted share units	**63**	**-**	**-**
Total securities outstanding	**59,141**	**44,538**	**14,629**

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations and commitments as at December 31, 2021:

($000)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Senior Term Loan	36,270	32,590	-	-	68,860
Term Notes [(1)]	-	37,869	-	-	37,869
Interest payments [(2)]	8,238	5,939	-	-	14,177
Promissory notes	-	823	-	-	823
Convertible notes	-	2,329	-	-	2,329
Lease liabilities [(3)]	1,543	2,082	799	1,244	5,668
Gas processing contracts	943	1,886	1,886	7,622	12,337
	46,994	83,518	2,685	8,866	142,063

(1) Includes the US$19.7 million Term Notes plus accrued PIK interest which are scheduled to mature on December 7, 2024 based on the December 31, 2021 US to Canadian dollar exchange rate of 1.2678.

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

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

RISKS AND UNCERTAINTIES

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

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

Liquidity risk

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arise principally from the Company's accounts receivable from oil and natural gas marketers and joint operators in the oil and gas industry. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

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

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

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated Term Notes. A ten percent change in the US dollar would have resulted in a $2.5 million change to net loss before tax (2020 – $2.7 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates associated with the periodic outstanding term based on

Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by 1% would have changed net loss by approximately $0.2 million during the year ended December 31, 2021 (2020 – $0.3 million) assuming all other variables remain constant.

Price risk

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

Market Risk

Saturn manages the risks associated with changes in commodity prices by entering into a variety of risk management commodity contracts classified as financial derivatives. The Company assesses the effects of movement in commodity prices on income before tax. A ten percent increase or decrease in commodity prices would have resulted in a $33.6 million change to unrealized gains or (losses) on risk management contracts and net loss before tax assuming all other variables remain constant.

The Company had the following outstanding financial derivative commodity contracts as at December 31, 2021:

Commodity	Index	Type	Term	Daily volume (bbls/d)	Bought put price (US$/bbl)	Sold call price (US$/bbl)	Swap price ($US/bbl)
WTI Crude Oil	NYMEX	Collar	Jan 1-22 to Jun 30-22	2,935	61.70	67.50	
WTI Crude Oil	NYMEX	Collar	Jul 1-22 to Oct 31-22	2,815	53.55	65.49	
WTI Crude Oil	NYMEX	Collar	Nov 1-22 to Dec 31-22	2,250	50.00	62.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-23 to Dec 31-23	2,109	50.00	58.15	
WTI Crude Oil	NYMEX	Collar	Jan 1-24 to Dec 31-24	1,893	50.00	55.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-25 to May 31-25	1,757	50.00	54.25	
WTI Crude Oil	NYMEX	Swap	Jan 1-22 to Dec 31-22	2,364			58.85
WTI Crude Oil	NYMEX	Swap	Jan 1-23 to Dec 31-23	2,109			55.50
WTI Crude Oil	NYMEX	Swap	Jan 1-24 to Dec 31-24	1,893			53.51
WTI Crude Oil	NYMEX	Swap	Jan 1-25 to May 31-25	1,757			52.51
WTI MSW Differential (1)	NGX	Swap	Jan 1-22 to Mar 31-22	4,943			6.07
WTI MSW Differential (1)	NGX	Swap	Apr 1-22 to Jun 30-22	4,797			6.07
WTI MSW Differential (1)	NGX	Swap	Jul 1-22 to Sep 30-22	4,651			6.07
WTI MSW Differential (1)	NGX	Swap	Oct 1-22 to Dec 31-22	4,522			6.07

(1) Based on weighted average volumes for the period.

Subsequent to December 31, 2021, the Company entered into the following financial derivative commodity contracts:

Commodity	Index	Type	Term	Daily volume (bbls/d)	Bought put price (US$/bbl)	Sold call price (US$/bbl)	Swap price ($US/bbl)
WTI Crude Oil	NYMEX	Collar	Nov 1-22 to Dec 31-23	179	60.00	92.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-23 to Dec 31-24	122	60.00	78.75	
WTI Crude Oil	NYMEX	Collar	Jan 1-24 to May 31-24	1,108	65.00	68.10	
WTI Crude Oil	NYMEX	Swap	Jan 1-24 to May 31-24	1,108			67.03
WTI MSW Differential	NGX	Swap	Apr 1-22 to Dec 31-22	833			3.70
WTI MSW Differential	NGX	Swap	Apr 1-22 to Dec 31-23	2,586			5.70

General Risks

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

Climate Change Risks

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

SUMMARY OF QUARTERLY RESULTS

	2021				2020			
($000s, except per boe amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial:								
Petroleum and natural gas sales	**54,481**	47,822	12,589	1,322	1,831	2,127	426	3,165
Cashflow from (used in) operations	**13,033**	16,160	(30,265)	(214)	976	835	(954)	(7)
Net (loss) income	**(10,629)**	(23,307)	(29,597)	(1,529)	(4,596)	(796)	(3,023)	658
Basic ($/share)	**(0.55)**	(0.05)	(0.10)	(0.01)	(0.02)	(0.00)	(0.01)	0.00
Diluted ($/share)	**(0.55)**	(0.05)	(0.10)	(0.01)	(0.02)	(0.00)	(0.01)	0.00
Property acquisition	**2,818**	2,660	76,820	-	-	-	-	-
PP&E expenditures	**4,048**	4,445	201	-	370	405	107	542
Total assets	**221,106**	228,564	236,356	41,783	40,314	44,360	44,834	49,796
Common shares outstanding (000s)	**25,165**	25,145	25,145	11,728	11,728	11,728	11,728	11,728
Operational:								
Average daily production								
Crude oil (bbls/d)	**6,549**	6,413	1,741	233	415	499	136	706
NGLs (bbls/d)	**356**	278	66	-	-	-	-	-
Natural gas (Mcf/d)	**2,246**	1,673	408	-	-	-	-	-
Total (boe/d)	**7,279**	6,970	1,875	233	415	499	136	706

Between and including the first quarter of 2021 and the first quarter of 2020, Saturn produced an average of 483 boe/d from its Viking Assets in West Central Saskatchewan resulting in revenue between $0.4 million and $3.2 million. The company is exposed to commodity price risk and revenue fluctuates with the benchmark prices accordingly. The Company's capital expenditures within this period were primarily spent on bringing wells online as the majority of production was shut in during the first half of 2020 where no wells were drilled which is correlated to the corresponding change in cash flow from operations and resulting funds flow.

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

SELECTED ANNUAL INFORMATION

($000s, except per share amounts)	2021	2020	2019
Financial:			
Petroleum and natural gas sales	**116,214**	7,549	18,294
Cashflow from (used in) operations	**(1,285)**	851	9,184
Net (loss) income	**(65,061)**	(7,758)	822
Basic ($/share)	**(3.36)**	(0.60)	0.00
Diluted ($/share)	**(3.36)**	(0.60)	0.00
Property acquisition	**82,297**	-	-
PP&E expenditures	**8,694**	51	22,811
Total assets	**221,106**	40,314	45,478
Common shares outstanding (000s)	**25,165**	11,728	11,728
Operational:			
Average daily production			
Crude oil (bbls/d)	**3,759**	439	752
NGLs (bbls/d)	**176**	-	-
Natural gas (Mcf/d)	**1,089**	-	-
Total (boe/d)	**4,117**	439	752

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

CHANGES IN ACCOUNTING POLICIES

Under the Company’s previous accounting policy for decommissioning obligations, the estimate of the expenditures required to settle the present value of the obligation at the date of the statement of financial position was recorded on a discounted basis using the pre-tax risk-free interest rate based on the Government of Canada’s benchmark long-term bond yields. In the second quarter of 2021, the Company voluntarily changed its accounting policy to use a credit-adjusted risk-free discount rate.

The Company believes the change in discount rate provides reliable and relevant information to the users of the financial statements as the credit-adjusted risk-free discount rate is consistent with the Company’s cost of capital. The change in policy must be applied retrospectively and resulted in property, plant and equipment at January 1, 2020 and December 31, 2020 each decreasing by $2.8 million with a corresponding decrease to decommissioning obligation. Deferred income tax, depletion and accretion expenses related to prior periods were not adjusted as any changes were immaterial.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

USE OF ESTIMATES

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

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

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

- The recoverability of accounts receivable and due from related parties which is included in the consolidated statement of financial position;
- The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the consolidated statement of financial position;
- The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants;
- Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material;
- Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the credit-adjusted risk free discount rate used;
- In the determination of fair value for convertible notes, the Company 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 Company seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a company in the industry;
- Financial derivative commodity 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, forecast benchmark commodity prices, and foreign exchange;
- Fair value of business combinations require management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets acquired generally require the most judgment and include estimates of reserves acquired, discount rates, and forecast benchmark commodity prices;

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

"Funds flow" represents cash flow from operating activities and adds back changes in non-cash working capital as the Company believes the timing of collection, payment or incurrence of these items is variable. Funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income (loss) per share. The calculation of the Company's funds flow is summarized within "Cash flow from (used in) operating activities and funds flow" section of this MD&A.

"Adjusted funds flow" adjusts funds flow for items outside the scope of operations such as transactions costs and decommissioning expenditures. Saturn uses adjusted funds flow as a key measure to demonstrate the Company's ability to generate funds to repay debt and fund future capital investment. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income (loss) per share. The calculation of the

Company's adjusted funds flows is summarized within "Cash flow from (used in) operating activities and funds flow" section of this MD&A.

"Free adjusted funds flow" represents Adjusted funds flow and deducts PP&E expenditures. Saturn uses free adjusted funds flow as a measure to assess the Company's ability to generate cash, after deducting PP&E expenditures, to repay debt, increase returns to shareholders or for other corporate purposes. The calculation of the Company's free adjusted funds flows is summarized within "Cash flow from (used in) operating activities and funds flow" section of this MD&A.

"Gross petroleum and natural gas revenue" is calculated by adding oil, natural gas and NGLs revenue, before deducting certain gas processing expenses in arriving at Petroleum and natural gas revenue. These processing expenses associated with the processing of natural gas and NGLs revenue are a result of the Company transferring custody of the product at the terminal inlet, and therefore receiving net prices. This metric is used by management to quantify and analyze the realized price received before processing deductions, against benchmark prices. The calculation of Gross Petroleum and natural gas revenue is shown within the Petroleum and natural gas revenue section of this MD&A.

"Net operating expense" is calculated by deducting processing revenue primarily generated by processing third party production at processing facilities where the Company has an ownership interest. Where the Company has excess capacity at one of its facilities, it will process third-party volumes to reduce the cost of ownership in the facility. The Company's primary business activities are not that of a midstream entity whose activities are focused on earning processing and other infrastructure-based revenues, and as such third-party processing revenue is netted against operating expenses in the MD&A. Net operating expense per boe is calculated as net operating expense divided by total barrels of oil equivalent produced over a specific period of time. There is no comparable IFRS measure. This metric is used by management to evaluate the Company's net operating expenses on a unit of production basis.

"Operating netbacks" is determined by deducting realized derivative commodity contract losses or adding realized derivative commodity contract gains and deducting, royalties, net operating expenses and transportation expenses from petroleum and natural gas revenue. Operating netbacks are per boe measures used in operational and capital allocation decisions. Presenting operating netbacks on a per boe basis allows management to better analyze performance against prior periods on a comparable basis. The calculation of the Company's operating netbacks are summarized within "Operating netbacks" section of this MD&A.

"Adjusted working capital" is comprised of cash, accounts receivable, deposits and prepaid expenses (current and long-term), net of accounts payable as presented on the Statement of Financial Position. Management utilizes adjusted working capital to monitor its capital structure, liquidity, and its ability to fund current operations.

"Net debt" represents the carrying value of the Senior Term Loan, Term Notes, Revolving Notes, promissory notes, convertible notes as presented on the Statement of Financial Position, net of Adjusted working capital. The Company uses net debt as an alternative to total outstanding debt as management believed it provides a more accurate measure in assessing the liquidity of the Company. The calculation of the Company's net debt is summarized within "Liquidity and capital resources" section of this MD&A.

"Net debt to quarterly adjusted funds flow" is calculated as net debt divided by quarterly adjusted funds flow annualized for a twelve-month period. Saturn uses net debt to quarterly adjusted funds flow to measure the Company's overall debt position and to measure the strength of the Company's Statement of Financial Position. Saturn monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns.

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

BOE PRESENTATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

OTHER REQUIREMENTS

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

DIRECTORS AND OFFICERS

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

John Jeffrey	Chief Executive Officer and Director
Scott Sanborn	Chief Financial Officer
Justin Kaufmann	Senior Vice President of Exploration
Ivan Bergerman	Director
Glenn Hamilton	Director
Calvin J. Payne	Director
Jim Payne	Director
Christopher Ryan	Director

FORWARD LOOKING INFORMATION

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

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

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