SATURN OIL & 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 & Gas Inc. ("Saturn" or the "Company") as at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021. This MD&A is dated and based on information available as at August 17, 2022 and should be read in conjunction with Company's unaudited condensed consolidated interim financial statements ("financial statements") and the notes thereto as at June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2021. 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.

Throughout this MD&A and in other materials disclosed by the Company, Saturn adheres to generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"), however the Company also uses various specified financial measures (as defined in National Instrument 51-112 - Non-GAAP and Other Financial Measures ("NI 51-112") including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" to analyze financial performance including, "adjusted funds flow", "capital expenditures", "capital expenditures", "net of A&D" "free funds flow", "gross petroleum and natural gas sales", "net operating expense", "operating netbacks", "operating netbacks", "net of derivatives" and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Saturn's performance.

Readers are cautioned that the MD&A should be read in conjunction with disclosures in the sections entitled "Non-GAAP and Other Financial Measures", and "Advisories and forward-looking information".

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.

SUBSEQUENT EVENT

On July 6, 2022, the Company completed a synergistic acquisition of certain oil and gas properties targeting the Viking formation in West Central Saskatchewan (the "Viking Acquisition") including production of approximately 4,000 boe/d (98% light oil and liquids) and 140 net sections of land for total cash consideration of $242.6 million, after interim closing adjustments. The Viking Acquisition bolsters Saturn's existing Viking light oil asset while complementing its core growth asset in Southeast Saskatchewan (the "Oxbow Asset"), further building size and scale for the Company's growing operations in Saskatchewan. The Viking Acquisition is consistent with Saturn's strategy to become a premier, publicly traded light oil producer through the acquisition and development of undervalued, low-risk opportunities that support building a strong portfolio of cash flowing assets offering strategic development upside. The Acquisition was funded from a $200 million expansion of the Senior Term Loan from the Company's existing senior secured lender and an upsized Bought Deal Offering (the "Bought Deal Offering") and Non-Brokered Offering for total gross proceeds of $75.2 million.

Q2 2022 HIGHLIGHTS

- Realized second quarter average production of 7,324 boe/d in 2022 compared to 1,875 boe/d in the second quarter of 2021;
- Achieved record quarterly petroleum and natural gas sales of $82.2 million, up from $69.1 million in the first quarter of 2022 and $1.3 million in the second quarter of 2021;
- Achieved operating netbacks (see "Non-GAAP and Other Financial Measures") for the three months ended June 30, 2022 of $76.40 per boe compared to $37.80 per boe in the second quarter of 2021;

- Generated adjusted funds flow (see "Non-GAAP and Other Financial Measures") of $14.5 million in the three months ended June 30, 2022 compared to $2.9 million in the comparable 2021 period primarily due to contributions from the operations of the Oxbow and Plato Acquisitions;
- Invested $5.5 million of development capital in the second quarter drilling two 100% working interest Frobisher wells, and spudding two 100% working interest Viking wells;
- Generated second quarter free funds flow (see "Non-GAAP and Other Financial Measures") of $8.5 million;
- Exited the second quarter with $58.2 million net debt (see "Non-GAAP and Other Financial Measures"), realizing a net debt to annualized quarterly adjusted funds flow of 1.0x (see "Non-GAAP and Other Financial Measures"); and
- Continued with Saturn's dedication to be a responsible environmental steward directing $1.9 million ($4.5 million year-to-date) in abandonment and reclamation activities through a combination of government grants through the Accelerated Site Closure Program ("ASCP") and cash on hand.

ACQUISITIONS

Plato acquisition

On February 28, 2022, the Company completed a strategic acquisition, acquiring certain oil and gas properties located in West Central Saskatchewan. The assets are located in Saturn's core Viking business unit, consist of approximately 240 bbls/d of high netback light oil production, an excellent liability rating ("LLR") >3.0 and reduce the Company's overall royalty rates and operating costs per boe. The Plato Acquisition was completed for total cash consideration of $7.5 million and has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

($000s)	**February 28, 2022**
Property, plant and equipment	15,708
Asset retirement obligation	(588)
Deferred income tax liability	(1,908)
Net assets acquired	**13,212**
Cash consideration	7,489
Gain on acquisition	**(5,723)**

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%.

Oxbow acquisition

On June 7, 2021, Saturn closed a transformational acquisition (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 was completed for total cash consideration of $82.3 million, after final closing adjustments.

FINANCIAL AND OPERATING HIGHLIGHTS

($000s, except per share amounts)	Three months ended June 30, **2022**	2021	Six months ended June 30, **2022**	2021
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales	**82,230**	12,589	**150,671**	13,911
Operating netback, net of derivatives [1]	**19,939**	5,047	**37,742**	5,914
Cashflow from (used in) operating activities	**20,399**	(30,265)	**30,741**	(30,478)
per share - Basic	**0.63**	(1.98)	**1.04**	(2.20)
- Diluted	**0.62**	(1.98)	**1.01**	(2.20)
Adjusted funds flow [1]	**14,463**	2,884	**27,934**	2,342
per share - Basic	**0.45**	0.19	**0.94**	0.17
- Diluted	**0.44**	0.15	**0.92**	0.13
Net income (loss)	**21,855**	(29,597)	**(75,763)**	(31,128)
per share - Basic	**0.68**	(1.94)	**(2.56)**	(2.25)
- Diluted	**0.66**	(1.94)	**(2.56)**	(2.25)
Property acquisition	**(90)**	76,820	**7,493**	76,820
Capital expenditures [1]	**5,970**	201	**16,437**	201
Total assets	**347,201**	236,356	**347,201**	236,356
Net debt [1], end of period	**58,198**	74,504	**58,198**	74,504
Shareholders' equity (deficit)	**(85,878)**	3,209	**(85,878)**	3,209
Common shares outstanding, end of period	**32,361**	25,165	**32,361**	25,165
Weighted average, basic	**32,361**	15,267	**29,623**	13,828
Weighted average, diluted	**32,992**	18,983	**30,397**	17,574
OPERATING HIGHLIGHTS				
Average production volumes				
Crude oil (bbls/d)	**6,722**	1,741	**6,771**	911
NGLs (bbls/d)	**287**	66	**310**	33
Natural gas (mcf/d)	**1,887**	408	**1,975**	205
Total boe/d	**7,324**	1,875	**7,410**	1,058
% Oil and NGLs	**96%**	96%	**96%**	97%
Average realized prices				
Crude oil ($/bbl)	**131.28**	77.50	**120.22**	75.81
NGLs ($/bbl)	**72.15**	33.67	**64.95**	33.67
Natural gas ($/mcf)	**6.47**	2.88	**5.46**	2.88
Processing expenses ($/boe)	**(1.61)**	-	**(1.69)**	-
Petroleum and natural gas sales ($/boe)	**123.39**	73.79	**112.33**	72.61
Operating netback ($/boe)				
Petroleum and natural gas sales	**123.39**	73.79	**112.33**	72.61
Royalties	**(19.12)**	(9.61)	**(17.85)**	(8.86)
Net operating expenses [1]	**(27.08)**	(24.46)	**(27.21)**	(23.85)
Transportation expenses	**(0.97)**	(1.92)	**(0.76)**	(1.71)
Operating netback [1]	**76.22**	37.80	**66.51**	38.19
Realized loss on derivatives	**(46.31)**	(8.22)	**(38.38)**	(7.32)
Operating netback, net of derivatives [1]	**29.91**	29.58	**28.13**	30.87

(1) See Non-GAAP and Other Financial Measures

PRODUCTION

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Crude oil (bbls/d)	**6,722**	1,741	**6,771**	991
NGLs (bbls/d)	**287**	66	**310**	33
Natural gas (mcf/d)	**1,887**	408	**1,975**	205
Total boe/d	**7,324**	1,875	**7,410**	1,058

Total average production volumes increased to 7,324 boe/d in the second quarter of 2022 from 1,875 boe/d in the second quarter of 2021. The increase reflects production from the Oxbow Asset which averaged 6,809 boe/d and the Plato Acquisition which averaged 209 boe/d during the second quarter of 2022.

Total average production volumes increased to 7,410 boe/d in the six months ended June 30, 2022 from 1,058 boe/d in the comparative 2021 period. The increase reflects production from the Oxbow Asset which averaged 6,980 boe/d and the Plato Acquisition which averaged 141 boe/d during the six months ended 2022.

The core producing properties of the Oxbow Asset 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 306 bbls/d and 289 bbls/d in the three and six months ended June 30, 2022, an increase of 24% and 20% from 247 bbls/d and 240 bbls/d from the second quarter of 2021 primarily due to the Plato Acquisition and drilling activity in the third quarter of 2021.

BENCHMARK AND REALIZED PRICES

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
Average benchmark prices				
WTI (US$/bbl) (1)	**108.41**	66.05	**101.37**	61.94
Exchange rate (US$/$C)	**1.28**	1.23	**1.27**	1.25
WTI (CA$/bbl)	**138.67**	81.07	**128.79**	77.14
MSW Par at Edmonton ($/bbl) (2)	**137.82**	77.04	**127.31**	71.74
Midale Par at Cromer ($/bbl)	**138.60**	81.09	**127.24**	76.43
LSB Par at Cromer ($/bbl) (3)	**137.41**	78.18	**126.34**	73.07
AECO natural gas ($/mcf) (4)	**6.99**	3.09	**5.79**	3.12
Average realized prices				
Crude oil ($/bbl)	**131.28**	77.50	**120.22**	75.81
NGLs ($/bbl)	**72.15**	33.67	**64.95**	33.67
Natural gas ($/mcf)	**6.47**	2.88	**5.46**	2.88
Processing expenses ($/boe)	**(1.61)**	-	**(1.69)**	-
Petroleum and natural gas sales ($/boe)	**123.39**	73.79	**112.33**	72.61

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

For the three and six months ended June 30, 2022, the Company realized a combined realized price for petroleum and natural gas of $123.39 per boe and $112.33 per boe versus $73.79 per boe and $72.61 per boe in the comparable 2021 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 second quarter was $131.28 per bbl, a 69% increase from $77.50 per bbl in the second quarter of 2021. The Company's average realized oil price for the six months ended June 30, 2022 was $120.22 per bbl, a 59% increase from $75.81 per bbl in the six months ended June 30, 2021.

PETROLEUM AND NATURAL GAS SALES

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Crude oil	**80,306**	12,281	**147,337**	13,603
NGLs	**1,882**	201	**3,647**	201
Natural gas	**1,112**	107	**1,952**	107
Gross petroleum and natural gas sales (1)	**83,300**	12,589	**152,936**	13,911
Less: Processing expenses	**(1,070)**	-	**(2,265)**	-
Petroleum and natural gas sales	**82,230**	12,589	**150,671**	13,911

(1) See Non-GAAP and Other Financial Measures

Gross petroleum and natural gas sales for the three and six months ended June 30, 2022 was $83.3 million and $152.9 million compared to $12.6 million and $13.9 million in the comparative 2021 periods. 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.

ROYALTIES

	Three months ended June 30,		Six months ended June 30,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Royalties	**12,741**	1,640	**23,938**	1,698
% of gross petroleum and natural gas sales (1)	**15.3%**	13.0%	**15.7%**	12.2%
$ per boe	**19.12**	9.61	**17.85**	8.86

(1) See Non-GAAP and Other Financial Measures

Royalties as a percentage of gross petroleum and natural gas sales in the three and six months ended June 30, 2022 was 15.3% and 15.7% compared to 13.0% and 12.2% in the comparative 2021 periods. The increase in royalty rates were primarily attributable to the Oxbow Acquisition which had higher royalties associated than the Company's legacy Viking Asset.

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

NET OPERATING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Operating expenses	**18,772**	4,173	**37,896**	4,570
Less: processing income	**(727)**	-	**(1,400)**	-
Net operating expenses(1)	**18,045**	4,173	**36,496**	4,570
$ per boe(1)	**27.08**	24.46	**27.21**	23.85

(2) See Non-GAAP and Other Financial Measures

Net operating expenses per boe for the three and six months ended June 30, 2022, were $27.08 and $27.21 compared to $24.46 and $23.85 in the comparable 2021 periods. The increase is primarily attributable to the Oxbow Acquisition which had higher net operating expenses per boe than the Company average for the same period in 2021.

TRANSPORTATION EXPENSES

($000s, except per boe amounts)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Transportation expenses	**646**	327	**1,013**	327
$ per boe	**0.97**	1.92	**0.76**	1.71

Transportation expenses per boe were $0.97 and $0.76 in the three and six months ended June 30, 2022 compared to $1.92 and $1.71 in the comparable periods. The increase in transportation expenses on a total dollar basis were attributable to additional clean oil trucking in the period and lower on a per boe basis due to higher production volumes.

RISK MANAGEMENT AND COMMODITY FINANCIAL DERIVATIVES

($000s, except per boe amounts)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Realized loss on derivatives	**(30,859)**	(1,402)	**(51,482)**	(1,402)
Unrealized gain (loss) on derivatives	**13,651**	(45,851)	**(90,145)**	(45,898)
Realized loss on derivatives $ per boe	**(46.31)**	(8.22)	**(38.38)**	(7.32)

The Company uses commodity risk management contracts which are classified as financial derivatives to manage exposure to commodity price volatility. Details of open commodity contracts as at June 30, 2022 are described in “Market Risk” section below.

For the three and six months ended June 30, 2022, the Company realized a loss on its financial commodity contracts of $30.9 million and $51.5 million compared to $1.4 million and $1.4 million in the comparable 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 June 30, 2022, the outstanding financial commodity contracts had a net liability of $164.7 million.

GENERAL AND ADMINISTRATIVE EXPENSES

($000s, except per boe amounts)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
General and administrative expenses	**1,485**	926	**2,980**	1,359
$ per boe	**2.23**	5.43	**2.22**	7.09

General and administrative (“G&A”) expenses in the three and six months ended June 30, 2022 were $1.5 million and $3.0 million compared to $0.9 million and $1.4 million in the comparable 2021 periods. The increase in G&A expenses was largely attributable to the expanded employee base and associated growth costs of the organization post Oxbow Acquisition.

DEPLETION, DEPRECIATION AND AMORTIZATION

($000s, except per boe amounts)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Depletion, depreciation and amortization	**6,007**	2,185	**13,184**	2,764
$ per boe	**9.01**	12.81	**9.83**	14.43

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 three and six months ended June 30, 2022 was $9.01 per boe and $9.83 per boe compared to $12.81 per boe and $14.43 per boe in the comparable 2021 periods. The decrease in DD&A on a per boe basis in the three and six months ended June 30, 2022 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.

The Company has a Restricted Share Unit and Deferred Share Unit Plan (the "RSU/DSU Plan") under which it is authorized to grant RSUs and DSUs to directors, officers, and employees. The RSUs granted under the RSU Plan are to be settled through the issuance of new common shares upon vesting. RSUs vest in three equal tranches with 1/3 on each of the first, second and third anniversary after the grant date.

For the three and six months ended June 30, 2022, the Company recorded share-based compensation of $0.2 million and $0.4 million compared to $0.1 million and a recovery of $0.1 million for the respective 2021 periods. The increase in share-based compensation expense is primarily due to a reversal of unvested share-based compensation in 2021 following employee turnover.

FINANCING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Interest expense, cash	**3,487**	880	**6,295**	1,167
Interest expense, paid in kind	**-**	857	**569**	1,531
Amortization of original issue discount and debt issue costs	**1,065**	446	**2,026**	446
Accretion, debt instruments	**56**	58	**111**	193
Accretion, leases	**135**	35	**280**	47
Accretion, decommissioning obligations	**1,738**	391	**3,481**	400
Total financing costs	**6,481**	2,667	**12,762**	3,784

Financing expenses for the three and six months ended June 30, 2022 were $6.5 million and $12.8 million compared to $2.7 million and $3.8 million in the comparable 2021 periods. The increase in financing expenses relate primarily to higher cash interest expense related to the Senior Term Loan and accretion on decommissioning obligations related to the Oxbow Acquisition.

LOSS ON DEBT EXTINGUISHMENT

On June 7, 2021, Saturn entered into an amended and restated note purchase agreement to exchange US$19.7 million drawn on the US$20.0 million secured reserve-based revolving facility 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") originally due December 7, 2024.

On February 28, 2022, the Company completed a debt consolidation whereby it early retired it's second-lien Term Notes for $32.1 million (US$25.3 million) with a principal amount outstanding of $29.5 million (US$23.2 million) resulting in an early retirement make-whole payment of $2.6 million (US$2.3 million) paid to the lender. In connection with the debt extinguishment, $4.6 million of non-cash unamortized debt issue costs were accelerated and expensed in profit or loss.

Concurrently, the Company expanded its Senior Term Loan by $38.0 million resulting is a debt modification gain of $0.3 million recognized in profit or loss due to the amended repayment terms. An expanded description of the Senior Term Loan is further described in the Liquidity and Capital Resources section of this MD&A.

The following tables reconciles the total loss on debt extinguishment:

($000s)	Amount
Term Notes principal outstanding	29,495
Term Notes unamortized debt issue costs	(4,565)
Term Notes carrying value	24,930
Term Notes retirement payment	(32,107)
Senior Term Loan gain on debt modification	294
	(6,883)
Comprised of:	
Term Notes make whole payment	(2,611)
Term Notes accelerated debt issue costs, non-cash	(4,566)
Senior Term Loan gain on debt modification, non-cash	294
Loss on debt extinguishment	(6,883)

GAIN ON WARRANT 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. On December 31, 2021, the warrant liability was determined to have a fair value of $4.9 million. On June 30, 2022, the warrant liability was determined to have a fair value of $2.4 million resulting in a $2.5 million unrealized gain recognized in profit or loss for the six months ended June 30, 2022.

DEFERRED TAXES

For the three and six months ended June 30, 2022, the Company recognized a deferred income tax recovery of $0.1 million and $1.9 million compared to $4.0 in the comparative 2021 periods. The deferred 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 Plato Acquisition. The decrease over the comparative periods is due to the smaller relative spread between the deferred tax asset and deferred tax liability in the Plato Acquisition compared to the Oxbow Acquisition.

CASH FLOW FROM (USED IN) OPERATING ACTIVITIES, ADJUSTED FUNDS FLOW AND NET INCOME (LOSS)

	Three months ended June 30,		Six months ended June 30,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Cashflow from (used in) operating activities	**20,399**	(30,265)	**30,741**	(30,478)
per share - Basic	**0.63**	(1.98)	**1.04**	(2.20)
- Diluted	**0.62**	(1.98)	**1.01**	(2.20)
Adjusted funds flow [(1)]	**14,463**	2,884	**27,934**	2,342
per share - Basic	**0.45**	0.19	**0.94**	0.17
- Diluted	**0.44**	0.15	**0.92**	0.13
Net income (loss)	**21,855**	(29,597)	**(75,763)**	(31,128)
per share - Basic	**0.68**	(1.94)	**(2.56)**	(2.25)
- Diluted	**0.66**	(1.94)	**(2.56)**	(2.25)

(1) See Non-GAAP and Other Financial Measures

Adjusted funds flow for the three and six months ended June 30, 2022 was $14.5 million and $27.9 million compared to $2.9 million and $2.3 million in the comparable 2021 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 and G&A, coupled with higher interest costs associated with the Senior Term Loan and increased realized losses on financial derivatives.

For the three and six months ended June 30, 2022, the Company realized net income $21.9 million and a net loss of $75.8 million compared to net losses of $29.6 million and $31.1 million in the comparable 2021 periods. The period net income versus net loss in the three months ended is primarily related to the increase in Adjusted funds flow due to the Oxbow and Plato Acquisitions, compounded by commodity pricing movement resulting in an unrealized gain on financial derivatives in 2022 compared to an unrealized loss in 2021. The increase in net loss in the six months is primarily related to the unrealized gains and losses on financial derivative commodity contracts, partially offset by increased Adjusted funds flow following the Oxbow Acquisition.

CAPITAL EXPENDITURES

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Drilling and completions	**2,746**	-	**9,944**	-
Facilities	**1,227**	-	**3,359**	-
Land and lease	**-**	-	**12**	-
Capitalized G&A and other	**1,571**	201	**2,049**	201
PP&E expenditures	**5,544**	201	**15,364**	201
E&E expenditures	**426**	-	**1,073**	-
Capital expenditures	**5,970**	201	**16,437**	201
Property acquisition	**(90)**	76,820	**7,493**	76,820
Capital expenditures, net of A&D	**5,880**	77,021	**23,930**	77,021

For the three months ended June 30, 2022, the Company drilled two operated, 100% working interest Frobisher wells and spud two operated, 100% working interest Viking wells. Additional workovers/re-activations of existing non-producing wells were also performed. All four wells were spud in June after breakup with related production expected in the third quarter.

For the six months ended June 30, 2022, the Company drilled a total of ten operated, 100% working interest wells; eight in the Frobisher and two in Tilston. The Company also spud two operated, 100% working interest Viking wells.

	Three months ended June 30,				Six months ended June 30,			
		2022		2021		**2022**		2021
	Gross	**Net**	Gross	Net	**Gross**	**Net**	Gross	Net
Drilling	**2**	**2.0**	2	0.5	**10**	**10.0**	2	0.5

LIQUIDITY AND CAPITAL RESOURCES

Senior Term Loan

The Company had in place an $87.0 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. On February 28, 2022, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $38.0 million to an aggregate principal amount of $103.2 million at an original issue discount of 3.375%. The Company is required to make monthly principal repayments as follows: February 28, 2022 to April 30, 2022 of $nil, May 31, 2022 to April 30, 2023 of $4.3 million per month; May 31, 2023 to April 30, 2024 of $2.6 million per month; and May 31, 2024 to June 7, 2024 of $1.7 million per month. All principal repayments are subject to an exit fee of 2.5% on the aggregate principal amount of any such payment. The Senior Term Loan bears interest at 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.

The Senior Term Loan is subject to various covenants on the part of the Company. As at June 30, 2022, 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:

Covenant description	Covenant Ratio	**June 30, 2022**
PDP Asset Coverage Ratio Minimum(1)	1.75	3.21
Current Ratio Minimum(2)	1.00	1.33
First Lien Net Leverage Ratio Maximum(3)	1.75	1.28

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

(2) The ratio of (a) current assets; excluding subscription receipts and financial derivatives, to (b) current liabilities; excluding the current portion of the Senior Term Loan, subscription receipts, 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 ("Adjusted EBITDA").

Convertible notes

As at June 30, 2022, the Company has a $1.3 million (December 31, 2021 - $1.2 million) and a $1.0 million (December 31, 2021 - $1.0 million) convertible note payable due to a shareholder. Each note bears interest at 5% per annum and is subordinated until July 2025. The convertible note payable and unpaid interest is convertible into shares of the Company at the option of the holder at a conversion price of $2.00 per share for the $1.3 million convertible note and at $3.00 per share for the $1.0 million convertible note. As at June 30, 2022, the convertible notes had a carrying value of $2.3 million.

Promissory note

As at June 30, 2022, the Company has a note payable to a shareholder in the amount of $0.8 million (December 31, 2021 - $0.8 million) which bears interest at a rate of 2% and is subordinated until July 2025.

Liquidity

The Company generally relies on internal profitability measured by Adjusted funds flow, debt financing 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 profitability 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 the capital structure of the company coupled with the projected Adjusted funds flow will satisfy Saturn's successful continuing operations.

Further discussion on the equity offerings completed by the Company in 2022 are described in "Share Capital" section below.

Market Capitalization and Net debt

Management considers net debt a key measure in assessing the Company's liquidity. Saturn's net debt (see "Non-GAAP and Other Financial Measures") totaled $58.2 million as at June 30, 2022 compared to $71.1 million as at December 31, 2021 and $74.5 million as at June 30, 2021. The Company's net debt to annualized second quarter adjusted funds flow was 1.0 times, a significant decrease from prior period due to the Oxbow Acquisition funded by the Senior Term Loan and Private Placements in 2021, successful drilling results and the 2022 equity financings. A summary of the Company's net debt and net debt to annualized quarterly adjusted funds flow is provided below:

($000s)	**June 30, 2022**	December 31, 2021
Basic common shares outstanding (000s)	**32,361**	25,165
Share price[1]	**2.40**	3.94
Total market capitalization	**77,666**	99,150
Adjusted working capital [2]	**(14,667)**	(65)
Long-term deposit	**(21,021)**	(21,021)
Senior Term Loan	**90,795**	65,055
Promissory notes	**811**	784
Convertible notes	**2,280**	2,197
Term Notes	**-**	24,104
Net debt	**58,198**	71,054
Annualized quarterly adjusted funds flow	**57,852**	38,924
Net debt to annualized quarterly adjusted funds flow	**1.0x**	1.8x

(1) Represents the closing share price on the TSXV on the last day of trading of the period.
(2) Adjusted working capital is calculated as cash, accounts receivable, deposits and prepaids net of accounts payable.

Off-balance sheet transactions

Saturn was not involved with any material off-balance sheet transactions during the quarter ended June 30, 2022.

SHARE CAPITAL

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

On March 10, 2022, Saturn completed an equity financing for aggregate gross proceeds of $20.6 million comprised of a bought-deal financing of 6,141,000 units at a price of $3.00 per unit and a non-brokered financing of 730,000 units at a price of $3.00 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $4.00 for a period of 36 months.

On June 8, 2022, the Company completed a bought deal offering (the "Bought Deal Offering") issuing 27,181,860 subscription receipts at a price of $2.75 for gross proceeds of $74.8 million. The gross proceeds, less applicable underwriters' fees and expenses were funded in escrow subject to the closing of the Viking Acquisition. On July 6, 2022, funds were released from escrow to Saturn, and each Subscription Receipt was converted into one unit of the consisting of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share for 12 months and a day following the date of issue at an exercise price of $3.20.

On July 6, 2022, the Company completed a non-brokered offering (the "Non-Brokered Offering") of units issuing 145,573 units at a price of $2.75 for total proceeds of $0.4 million. Each unit consisted of one common share and one half of one warrant. Each whole warrant is exercisable on the same terms as the Warrants under the Bought Deal Offering.

As at the date of this MD&A, June 30, 2022 and December 31, 2021, the following common shares are outstanding and/or remain issuable upon exercise of the underlying securities.

(000s) Number of securities	**August 17, 2022**	**June 30, 2022**	December 31, 2021
Common shares outstanding	**59,689**	**32,361**	25,165
Warrants	**36,394**	**22,803**	15,607
Stock options	**1,983**	**1,983**	1,983
Broker options	**5,171**	**1,930**	1,783
Restricted share units	**54**	**54**	-
Total securities outstanding	**103,291**	**59,131**	44,538

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations and commitments as at June 30, 2022:

($000)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Senior Term Loan	48,210	46,413	-	-	94,623
Interest payments [(1)]	10,236	5,122	-	-	15,358
Promissory notes	-	823	-	-	823
Convertible notes	-	2,329	-	-	2,329
Lease liabilities [(2)]	1,413	1,679	728	1,066	4,886
Gas processing contracts	943	1,886	1,886	7,150	11,865
	60,802	58,252	2,614	8,216	129,884

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

(2) 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 financial derivatives. A ten percent change in the US dollar would have resulted in a $0.9 million change to net income (loss) before tax (December 2021 – $2.5 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated 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 one percent would have changed net income (loss) by approximately $0.3 million during the period ended June 30, 2022 (December 2021 – $0.2 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 $84.1 million change to unrealized gains or (losses) on risk management contracts and net income (loss) before tax assuming all other variables remain constant.

The Company had the following outstanding financial derivative commodity contracts as at June 30, 2022:

	WTI Collars		WTI Swaps		WTI Swaps		WTI/MSW Differential	
Period	Volume (bbls/d)	Price [1] (US$/bbl)	Volume (bbls/d)	Price [1] (US$/bbl)	Volume (bbls/d)	Price [1] (CA$/bbl)	Volume (bbls/d)	Price [1] (US$/bbl)
Q3 2022	4,298	69.46 - 80.65	3,798	76.86	-	-	7,381	(5.49)
Q4 2022	4,889	68.09 - 80.09	3,571	75.88	-	-	7,024	(5.51)
Q1 2023	2,397	50.83 - 60.94	4,319	73.30	445	123.75	4,595	(5.70)
Q2 2023	2,319	50.79 - 60.82	4,078	72.76	424	123.75	4,455	(5.70)
Q3 2023	2,239	50.72 - 60.58	3,854	72.20	404	115.85	4,317	(5.70)
Q4 2023	2,168	50.66 - 60.39	3,665	71.73	386	115.85	4,192	(5.70)
Q1 2024	2,103	50.63 - 56.49	3,490	65.31	294	108.96	-	-
Q2 2024	2,044	50.61 - 56.46	3,332	65.01	283	108.96	-	-
Q3 2024	1,992	50.63 - 56.49	3,173	64.67	272	103.43	-	-
Q4 2024	1,923	50.56 - 56.32	3,054	64.50	262	103.43	-	-
Q1 2025	1,818	50.38 - 56.60	2,978	60.50	63	98.17	-	-
Q2 2025	1,771	55.14 - 59.00	2,871	63.22	61	98.17	-	-
Q3 2025	1,729	65.00 - 68.10	2,753	69.05	59	94.49	-	-
Q4 2025	1,684	65.00 - 68.10	3,077	67.21	57	94.49	-	-
Q1 2026	1,080	65.00 - 68.10	3,077	67.21	-	-	-	-
Q2 2026	-	-	4,028	67.30	-	-	-	-

(1) Weighted average prices for the period.

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

	2022		2021				2020	
($000s, except per boe amounts)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial:								
Petroleum and natural gas sales	**82,230**	69,115	54,481	47,822	12,589	1,322	1,831	2,127
Cashflow from (used in) operations	**20,399**	10,342	13,033	16,160	(30,265)	(213)	976	835
Net income/(loss)	**21,855**	(97,618)	(10,629)	(23,307)	(29,597)	(1,529)	(4,596)	(796)
Basic ($/share)	**0.68**	(3.63)	(0.55)	(0.05)	(0.10)	(0.13)	(0.02)	(0.00)
Diluted ($/share)	**0.66**	(3.63)	(0.55)	(0.05)	(0.10)	(0.13)	(0.02)	(0.00)
Property acquisition	**(90)**	7,583	2,818	2,660	76,820	-	-	-
PP&E expenditures	**5,544**	9,820	4,048	4,445	201	-	370	405
Total assets	**347,201**	268,568	221,106	228,564	236,356	41,783	40,314	44,360
Common shares outstanding (000s)	**32,361**	32,361	25,165	25,145	25,145	11,728	11,728	11,728
Operational:								
Average daily production								
Crude oil (bbls/d)	**6,722**	6,821	6,549	6,413	1,741	233	415	499
NGLs (bbls/d)	**287**	334	356	278	66	-	-	-
Natural gas (Mcf/d)	**1,887**	2,063	2,246	1,673	408	-	-	-
Total (boe/d)	**7,324**	7,499	7,279	6,970	1,875	233	415	499

In the second quarter of 2022, the Company invested $5.5 million in Capital Expenditures, made $12.2 million in principal repayments on the Senior Term Loan reducing net debt to $58.2 million and achieved $14.5 million in Adjusted Funds Flow primarily due to an Operating Netback, net of Derivatives of $29.91 per boe. The quarterly sales, pricing, production, net income cash flow used in operations, Adjusted funds flow and Capital Expenditures are discussed in the previous sections of this MD&A. The Viking Acquisition was closed subsequent to the second quarter along with a further $200 million expansion of the Senior Term Notes and accompanying equity offerings providing additional gross proceeds of $75.2 million.

In the first quarter of 2022, the Company invested $9.8 million in Capital Expenditures, achieved $13.4 million in Adjusted Funds Flow primarily due to an Operating Netback, net of Derivatives of $26.38 per boe, made $3.6 million in principal repayments on the Senior Term Loan made and retired its Term Notes for $32.1 million with an expansion of the Senior Term Loan of $38.0 million. The Company completed an additional equity financing for gross proceeds of $20.6 million and closed the Plato Acquisition within the West Central area of Saskatchewan for $7.6 million, after interim closing adjustments.

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 the $87.0 million Senior Term Loan and an equity financing for total gross proceeds of $32.2 million. In connection with the acquisition, the Company entered into commodity financial derivative contracts representing approximately 80% of production on a declining basis.

Between and including the second quarter of 2020 and the first quarter of 2021, Saturn produced an average of 320 boe/d from its Viking Assets in West Central Saskatchewan resulting in revenue between $0.4 million and $2.1 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 Adjusted funds flow.

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.

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, RSUs, 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; and
- 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 AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Company, Saturn employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Saturn's performance.

Non-GAAP Financial Measures and Ratios

NI 52-112 defines a non-GAAP financial measure as: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (iii) is not disclosed in the financial statements of the entity, and (iv) not a ratio, fraction, percentage or similar representation. NI 52-112 defines a non-GAAP ratio as: (i) is in the form of a ratio, fraction, percentage or similar representation, (ii) has a non-GAAP financial measure as one or more of its components, and (iii) is not disclosed in the financial statements of the entity. The Company has presented the following non-GAAP financial measures and ratios within this MD&A.

Capital expenditures and Capital expenditures, net of A&D

Saturn uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. Saturn's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes or payments under certain lease arrangements. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. The following table details the composition of capital expenditures and capital expenditures, net acquisitions and dispositions ("A&D") to cashflow used in investing activities.

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Cash flow used in investing activities	**21,957**	74,677	**36,489**	74,677
Change in non-cash working capital	**(16,077)**	2,344	**(12,559)**	2,344
Capital expenditures, net A&D	**5,880**	77,021	**23,930**	77,021
Property (acquisition) disposition	**90**	(76,820)	**(7,493)**	(76,820)
Capital expenditures	**5,970**	201	**16,437**	201

Free funds flow

Saturn uses free funds flow as an indicator of the efficiency and liquidity of Saturn's business, measuring its funds after capital investment available to manage debt levels, pursue acquisitions and gauge optionality to pay dividends and/or and return capital to shareholders through activities such as share repurchases. Saturn calculates free funds flow as Adjusted funds flow in the period less capital expenditures. By removing the impact of current period capital expenditures from adjusted funds flow, Management monitors its free funds flow to inform its capital allocation decisions. The following table reconciles Adjusted funds flow to Free funds flow.

	Three months ended June 30,		Six months ended June 30,	
($000s, except per boe amounts)	**2022**	2021	**2022**	2021
Adjusted funds flow	**14,463**	2,887	**27,934**	2,345
Capital expenditures	**(5,970)**	(201)	**(16,437)**	(201)
Free funds flow	**8,493**	2,686	**11,497**	2,144

Gross petroleum and natural gas sales

Gross petroleum and natural gas sales is calculated by adding oil, natural gas and NGLs revenue, before deducting certain gas processing expenses in arriving at Petroleum and natural gas revenue as required under IFRS-15. 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 required processing deductions, against benchmark prices. The calculation is shown within the Petroleum and natural gas sales section of this MD&A.

Net operating expenses

Net operating expense is calculated by deducting processing income primarily generated by processing third party production at processing facilities where the Company has an ownership interest, from operating expenses presented on the Statement of income (loss). 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. This metric is used by management to evaluate the Company's net operating expenses on a unit of production basis. There is no comparable IFRS measure. Net operating expense per boe is a non-GAAP financial ratio and is calculated as net operating expense divided by total barrels of oil equivalent produced over a specific period of time. The calculations are shown within the Net operating expenses section of this MD&A.

Operating netback and Operating netbacks, net of derivatives

The Company's operating netback is determined by deducting royalties, net operating expenses and transportation expenses from petroleum and natural gas sales. The Company's operating netback, net of derivatives is calculated by adding or deducting realized financial derivative commodity contract gains or losses from the operating netback. The Company's operating netback and operating netback, net of derivatives are used in operational and capital allocation decisions. Presenting operating netback and operating netback, net of derivatives on a per boe basis is a non-GAAP financial ratio and allows management to better analyze performance against prior periods on a per unit of production basis. The calculation of the Company's operating netbacks and operating netback, net of derivatives are summarized as follows.

	Three months ended June 30,		Six months ended June 30,	
($000s)	**2022**	2021	**2022**	2021
Petroleum and natural gas sales	**82,230**	12,589	**150,671**	13,911
Royalties	**(12,741)**	(1,640)	**(23,938)**	(1,698)
Net operating expenses	**(18,045)**	(4,173)	**(36,496)**	(4,570)
Transportation expenses	**(646)**	(327)	**(1,013)**	(327)
Operating netback	**50,798**	6,449	**89,224**	7,316
Realized loss on financial derivatives	**(30,859)**	(1,402)	**(51,482)**	(1,402)
Operating netback, net of derivatives	**19,939**	5,047	**37,742**	5,914
($ per boe amounts)				
Petroleum and natural gas sales	**123.39**	73.79	**112.33**	72.61
Royalties	**(19.12)**	(9.61)	**(17.85)**	(8.86)
Net operating expenses	**(27.08)**	(24.46)	**(27.21)**	(23.85)
Transportation expenses	**(0.97)**	(1.92)	**(0.76)**	(1.71)
Operating netback	**76.22**	37.80	**66.51**	38.19
Realized loss on financial derivatives	**(46.31)**	(8.22)	**(38.38)**	(7.32)
Operating netback, net of derivatives	**29.91**	29.58	**28.13**	30.87

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity. Please refer to Note 13 "Capital Management" in Saturn's financial statements for additional disclosure on adjusted working capital, net debt, adjusted EBITDA and adjusted funds flow, each of which are capital management measures used by the Company in this MD&A.

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
Calvin J. Payne	Director
Jim Payne	Director
Christopher Ryan	Director

ADVISORIES AND 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, the effects of the Company's acquisitions on the Company's strategy, land holdings and profitability, including the Viking Acquisition, 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; (v) the realization of anticipated benefits of acquisitions, and (vi) 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.