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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Saturn Oil & Gas Inc.

Opinion

We have audited the consolidated financial statements of Saturn Oil & Gas Inc.(the Company), which comprise:

- the consolidated balance sheets as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cashflows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and probable oil and gas reserves on depletion expense

Description of the matter

We draw attention to note 2, note 3 and note 6 to the financial statements. The Company depletes its net carrying value of oil and natural gas properties, using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. The Company recorded depletion expense related to its oil and gas properties of $144.1 million for the year ended December 31, 2023.

The estimate of proved and probable oil and gas reserves includes assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The Company engages independent third-party reserve evaluators to estimate the proved and probable oil and gas reserves and the related cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and probable oil and gas reserves on depletion expense as a key audit matter. Significant auditor judgement was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We assessed the depletion expense calculation for compliance with IFRS Accounting Standards.

With respect to the estimate of proved and probable oil and gas reserves:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company

- We compared the forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We compared the 2023 actual production volumes, operating costs, royalty costs and development costs of the Company to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Company's ability to accurately forecast

We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2023 actual results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

Evaluation of the acquisition-date fair value of property, plant and equipment of Ridgeback Resources Inc.

Description of the matter

We draw attention to note 2, note 3, note 4 and note 5 to the financial statements. The Company completed an acquisition of Ridgeback Resources Inc. ("Ridgeback") on February 28, 2023 (the "acquisition date") for a total purchase price of $525.9 million. In connection with the transaction, the Company recorded property, plant and equipment ("PP&E") with an acquisition-date fair value of $718.8 million.

The estimated acquisition-date fair value of the PP&E involves significant estimates, including:

- The estimate of proved and probable oil and gas reserves and the related cash flows
- The discount rates.

The estimate of proved and probable oil and gas reserves and the related cash flows requires the expertise of independent third-party reserve evaluators and includes assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

The estimated acquisition-date fair value of the PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared by independent third-party reserve evaluators and internally updated to the acquisition date.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of PP&E of Ridgeback Resources Inc. as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and probable oil and gas reserves and the related cash flows and the discount rates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of proved and probable oil and gas reserves and the related cash flows prepared by the independent third-party reserve evaluators:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators
- We compared the forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators

With respect to the estimate of proved and probable oil and gas reserves and related cash flows as at the acquisition date:

- We evaluated the competence, capabilities and objectivity of the internal reserve evaluators
- We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to historical results. We took into account changes in conditions and events to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Company's discount rates by comparing the discount rates to market and other external data
- Assessing the reasonableness of the Company's estimate of the acquisition-date fair value of PP&E by comparing the Company's estimate to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Timothy Arthur Richards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 12, 2024

SATURN OIL & GAS INC.
CONSOLIDATED BALANCE SHEETS

As at ($000s)	**December 31, 2023**	December 31, 2022
ASSETS		
Cash	**26,460**	10,256
Accounts receivable	**70,725**	40,920
Deposits and prepaid expenses	**16,708**	8,485
Financial derivatives (note 20)	**16,801**	1,974
Total current assets	**130,694**	61,635
Property, plant and equipment (note 6)	**1,197,969**	491,964
Right-of-use assets (note 7)	**6,553**	3,390
Deposit	**-**	21,101
Deferred tax asset (note 15)	**-**	4,217
Financial derivatives (note 20)	**-**	600
Total assets	**1,335,216**	582,907
LIABILITIES		
Accounts payable	**122,133**	56,533
Senior Term Loan (note 11)	**219,957**	119,934
Lease liabilities (note 8)	**5,032**	1,358
Decommissioning obligations (note 10)	**11,382**	-
Financial derivatives (note 20)	**31,903**	46,372
Total current liabilities	**390,407**	224,197
Senior Term Loan (note 11)	**231,196**	120,909
Promissory note (note 12)	**-**	828
Convertible notes (note 13)	**1,090**	2,361
Decommissioning obligations (note 10)	**89,273**	52,626
Lease liabilities (note 8)	**735**	1,805
Warrant liability (note 9)	**-**	2,020
Deferred tax liability (note 15)	**6,741**	-
Financial derivatives (note 20)	**7,112**	39,645
Total liabilities	**726,554**	444,391
SHAREHOLDERS' EQUITY		
Share capital (note 14)	**292,388**	122,017
Contributed surplus (note 14)	**46,834**	14,740
Warrants (note 14)	**7,200**	30,142
Retained earnings (deficit)	**262,240**	(28,383)
Total shareholders' equity	**608,662**	138,516
Total liabilities and shareholders' equity	**1,335,216**	582,907

Commitments (note 21)
Subsequent events (note 23)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors:

(signed) "Thomas Gutschlag"
Thomas Gutschlag
Director

(signed) "Ivan Bergerman"
Ivan Bergerman
Director

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($000s, except per share amounts)	**2023**	2022
REVENUE		
Petroleum and natural gas sales (note 16)	**693,891**	367,957
Processing income (note 16)	**11,262**	3,175
Royalties	**(80,565)**	(47,640)
	624,588	323,492
Realized loss on derivatives (note 20)	**(39,048)**	(78,349)
Unrealized gain (loss) on derivatives (note 20)	**61,609**	(8,920)
Other income (note 10)	**246**	13,700
	647,395	249,923
EXPENSES		
Operating	**191,336**	89,554
Transportation	**11,314**	2,139
General and administrative	**19,577**	7,980
Depletion depreciation and amortization (notes 6,7)	**148,911**	46,035
Share based payments (note 14)	**7,545**	537
Financing (note 17)	**106,940**	40,947
Foreign exchange (gain) loss	**190**	(1,166)
Loss on debt extinguishment (note 11)	**8,265**	11,458
Gain on warrant liability (note 9)	**(2,020)**	(2,836)
Transaction costs (note 5)	**4,657**	1,226
Gain on acquisitions (note 5)	**(178,219)**	(14,900)
	318,496	180,974
Net income before taxes	**328,899**	68,949
Current tax recovery (note 15)	**(1,915)**	-
Deferred tax expense (recovery) (note 15)	**40,191**	(5,866)
Net income and comprehensive income	**290,623**	74,815
Net income per share (note 14)		
Basic	**2.30**	1.68
Diluted	**2.25**	1.66

See accompanying notes to the consolidated financial statements

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Retained earnings (deficit)	Total
Balance, December 31, 2021	25,165	45,609	12,922	14,361	(103,198)	(30,306)
Equity financings	34,199	95,763	-	-	-	95,763
Allocation to warrants	-	(14,679)	-	14,679	-	-
Cash share issue costs	-	(6,949)	-	-	-	(6,949)
Non-cash share issue costs	-	421	2,890	-	-	3,311
Share based payments	-	-	703	-	-	703
Stock option exercise	150	502	(449)	-	-	53
Broker option exercise	378	1,350	(1,326)	1,102	-	1,126
Net income for the year	-	-	-	-	74,815	74,815
Balance, December 31, 2022	**59,892**	**122,017**	**14,740**	**30,142**	**(28,383)**	**138,516**
Balance, December 31, 2022	59,892	122,017	14,740	30,142	(28,383)	138,516
Equity financings (note 14)	78,648	174,487	-	-	-	174,487
Convertible note conversion (note 13)	679	1,358	-	-	-	1,358
Share issue costs, net of tax recovery	-	(5,632)	-	-	-	(5,632)
Share based payments	-	-	9,341	-	-	9,341
Share based award exercises	94	158	(189)	-	-	(31)
Warrant expiry	-	-	22,942	(22,942)	-	-
Net income for the year	-	-	-	-	290,623	290,623
Balance, December 31, 2023	**139,313**	**292,388**	**46,834**	**7,200**	**262,240**	**608,662**

See accompanying notes to the consolidated financial statements

SATURN OIL & GAS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($000s)	**2023**	2022
OPERATING ACTIVITIES		
Net income for the year	**290,623**	74,815
Items not affecting cash:		
Depletion, depreciation and amortization (notes 6,7)	**148,911**	46,035
Share based payments (note 14)	**7,545**	537
Deferred income tax recovery (note 15)	**40,191**	(5,866)
Unrealized (gain) loss on financial derivatives (note 20)	**(61,609)**	8,920
Gain on warrant liability (note 9)	**(2,020)**	(2,836)
Unrealized foreign exchange loss	**-**	42
Gain on acquisition (note 5)	**(178,219)**	(14,900)
Loss on debt extinguishment (note 11)	**8,265**	11,458
Non-cash financing expenses (note 17)	**20,020**	12,866
Other income (note 10)	**(226)**	(13,639)
Decommissioning expenditures (note 10)	**(10,486)**	(582)
Change in non-cash working capital (note 18)	**20,993**	(14,536)
Cash from operating activities	**283,988**	102,314
FINANCING ACTIVITIES		
Proceeds from Senior Term Loan, net of discount (note 11)	**365,625**	229,968
Debt issue costs (note 11)	**(4,222)**	(1,080)
Repayment of Senior Term Loan (note 11)	**(164,456)**	(61,381)
Proceeds from share issuance (note 14)	**125,001**	95,763
Share issue costs (note 14)	**(8,282)**	(6,949)
Repayment of notes (note 12)	**(836)**	(32,081)
Proceeds from stock option exercise (note 14)	**(31)**	1,179
Lease payments (note 8)	**(4,745)**	(1,654)
Change in non-cash working capital (note 18)	**567**	-
Cash from financing activities	**308,621**	223,765
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired (note 5)	**(466,662)**	(248,367)
Capital expenditures (note 6)	**(130,573)**	(89,105)
Change in non-cash working capital (note 18)	**20,830**	19,234
Cash used in investing activities	**(576,405)**	(318,238)
Change in cash, during the year	**16,204**	7,841
Cash, beginning of year	**10,256**	2,415
Cash, end of year	**26,460**	10,256

Cash interest paid (note 17)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Saturn Oil & Gas Inc. ("Saturn" or the "Company") is a Canadian resource company engaged in the business of acquisition, exploration and development of petroleum and natural gas resource deposits in Western Canada. The Company's current focus is to advance the exploration and development of its oil and gas properties in Alberta and Saskatchewan. The common shares and certain warrants of the Company are listed on the Toronto Stock Exchange ("TSX") and trade under the symbols "SOIL" and "SOIL.WT.A".

The Company's corporate headquarters are at 2800, 525 - 8th Ave SW, Calgary, AB, T2P 1G1, and its registered office is located at 230 – 22 Street East Suite 800, Saskatoon, SK, S7K 0E9.

2. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared under IFRS Accounting Standards ("IFRS") , as issued by the International Accounting Standards Board as at and for the year ended December 31, 2023, including 2022 comparative periods.

These consolidated financial statements were approved by the Board of Directors on March 12, 2024.

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value through profit or loss.

c. Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting year.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Operating environment
The marketability and price of oil and natural gas that may be produced, acquired or discovered by the Company continues to be affected by global events. International conflicts, shifts in social opinion, geopolitical instability and changes to political regimes may have a significant impact on the price of crude oil and natural gas and Saturn's petroleum and natural gas sales. While the specific impact to the Company would depend on the nature of the occurrence, any major event can cast uncertainty over future financial performance.

Regulations on carbon emissions and climate change
The following provides certain disclosures as to the impact of carbon emissions and climate change on the amounts recorded in the consolidated financial statements as at and for the year ended December 31, 2023. The below is not a comprehensive list or analysis of all climate change impacts and risks.

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed national instrument 51-107 Disclosure of Climate-Related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Company.

The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment as a possible indication of impairment of its oil and gas properties. The Company completed the analysis of triggers for impairment as at December 31, 2023 and climate risk/climate change, in of itself, did not result in the Company completing an impairment test. The Company has considered the impact of the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels in its assessment of depletion on its oil and gas properties. Depletion of the Company’s oil and gas properties was based on proved and probable reserves, the life of which is generally less than 20 years. The ultimate period in which global energy markets can transition from carbon-based sources to alternative energy is uncertain.

The Company engages independent third-party reserve evaluators to estimate proved and probable oil and gas reserves. The reserve report includes anticipated impacts from emissions related taxes and carbon pricing. Most notably, the reserve report includes the estimated carbon charge related to the Company’s operations based on current rates.

The evolving energy transition and general sentiment to the oil and gas industry may result in reduced access to capital markets. Management will continue to adjust the capital structure to the dynamic environment. The Company’s financial results for 2023 were not directly impacted from a climate event. In 2023, the Company did not incur material weather-related damages to its property, plant and equipment. During 2023, management is not aware of a material disruption in its supply chain or the marketers of the Company’s product related to climate events.

Business combinations

Transactions are assessed against the criteria in IFRS 3 Business Combinations (“IFRS 3”) to assess whether they constitute a business combination or an asset acquisition. Business combinations are accounted for using the acquisition method of accounting. The determination of estimated acquisition-date fair value often requires management to make assumptions and estimates about future events. The estimated acquisition-date fair value of property, plant and equipment (“PP&E”), including oil and gas properties, and decommissioning obligations, acquired generally require the most judgement. The determination of the estimated acquisition-date fair value of PP&E involves significant estimates, including proved and probable oil and gas reserves and discount rates. The estimate of proved and probable reserves includes significant assumptions related to forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs. Changes in the assumptions or estimates used in determining the estimated acquisition date fair value of the acquired assets and liabilities could impact the allocation of the purchase price between assets and liabilities recorded on the balance sheet and revenue and expenses recorded on the statement of comprehensive income (loss).

Decommissioning obligations

In most circumstances, the retirement and remediation of the Company’s assets occurs many years into the future. The amounts recorded for these decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of the related cash flows, future environmental and regulatory legislation, as well as the credit-adjusted risk free rate applied.

Cash generating units

PP&E is aggregated into cash-generating units (“CGUs”) classified as the smallest identifiable, independent group of assets that generate future cash flows. The determination of these CGUs is based on management’s judgment regarding shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality.

Reserves estimates

The Company uses estimated proved and probable oil and gas reserves to deplete its oil and gas properties included in property, plant and equipment, to assess for indicators of impairment on the Company’s CGUs and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of its CGUs. Estimates of proved and probable oil and gas reserves are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. The Company engaged independent third party reserve evaluators to evaluate the Company's estimates of proved and probable oil and gas reserves at December 31, 2023 and 2022. Reserve adjustments are made annually based on actual volumes produced, the results from capital expenditure programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year.

Proved oil and gas reserves are those forecasted quantities of petroleum and natural gas determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty, of at least 90 percent, that those quantities will be equaled or exceeded. Probable oil and gas reserves are those forecasted quantities of petroleum and natural gas determined to be economically recoverable under existing economic and operating conditions with a moderate degree of certainty, of at least 50 percent, that those quantities will be equaled or exceeded. Saturn reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with Standards of Disclosures for Oil and Gas Activities ("NI 51-101").

Property, plant and equipment
Oil and natural gas properties are depleted using the unit-of-production method based on estimated proved and probable oil and gas reserves determined using a number of significant assumptions, such as forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs.

Impairment of property, plant and equipment
Judgments are required to assess when internal or external indicators of impairment, or indicators of impairment reversal, exist and impairment testing is required. In determining the recoverable amount of PP&E, which includes oil and gas properties, impairment tests are based on estimates of proved and probable oil and gas reserves which are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Financial derivative instruments
Estimates of the fair value of the Company’s derivative financial instruments (“Financial derivatives”) is dependent on projected forward prices and the volatility in those prices.

Income taxes
Income tax, goods and services tax, provincial sales tax, and other tax returns filed with the various provincial and federal taxation authorities are subject to tax interpretations. These tax positions are subject to measurement uncertainty.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries and any reference to the Company throughout these consolidated financial statements refers to the Company and its subsidiaries. All intercompany balances, transactions, revenue and expenses are eliminated on consolidation. The consolidated accounts are prepared using uniform accounting policies.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when Saturn is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Financial Instruments
Financial instruments are initially recognized at fair value on the balance sheet. Measurement in subsequent periods depends on the classification of the financial asset or liability as amortized cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL").

Financial instruments classified as FVTPL are measured at their fair values at each reporting period with the change in fair value recognized in profit or loss. Cash, deposits and prepaid expenses, accounts receivable, accounts payable, Senior Term Loan and the Term Notes are measured at amortized cost. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial derivative contracts are classified as FVTPL and are recognized at fair value based on quoted market prices at each reporting date. The Company does not apply hedge accounting to its derivative instruments.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced and/or substantially modified, the difference in the respective carrying amounts is recognized in net loss and comprehensive loss.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

Business combinations
Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income or loss. Transaction costs associated with a business combination are expensed as incurred.

Property, plant and equipment
PP&E, which includes oil and gas properties are recorded at cost less accumulated depletion, depreciation, amortization and accumulated impairment losses, net of recovered impairment losses. These assets include all costs associated with the development and production of proved and probable oil and gas reserves. Costs may include proved property acquisitions, development drilling, completion, gathering and infrastructure, geological and geophysical, decommissioning costs, amounts transferred from exploration and evaluation assets and directly attributable internal costs. Expenditures to renew or improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of oil and gas properties are recognized in profit or loss. Accumulated costs are depleted using the unit of production method based on estimated proved and probable oil and gas reserves. Costs subject to depletion include estimate of forecasted future development costs to be incurred in developing proved and probable oil and gas reserves and exclude residual amounts. Depletion is calculated on a CGU basis.

Other capital assets are comprised of furniture and fixtures, computer equipment and leasehold improvements and are recorded at cost less accumulated depreciation.

Depletion, depreciation and amortization
The net carrying value of the oil and gas properties is depleted using the unit-of-production method based on period production relative to the estimated proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production.

Proved plus probable oil and gas reserves are estimated by independent third-party reserve evaluators in accordance with Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Natural gas volumes are converted to equivalent crude oil volumes based upon the relative energy content of six thousand cubic feet of natural gas to one barrel of crude oil. Changes in estimates used in prior periods, such as proved and probable oil and gas reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Other capital assets are depreciated using a declining balance method using rates from 20-100% depending on the asset classification.

Impairment
The carrying amounts of the Company's PP&E are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the CGU is estimated to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows from proved and probable oil and gas reserves are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in profit or loss for the period to the extent that the carrying amount of the CGU or asset exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the CGU or asset does not exceed the carrying amount that would have been determined, net of depletion and amortization, had no impairment loss been recognized for the CGU or asset.

A reversal of an impairment loss is recognized immediately in profit or loss.

E&E assets are assessed for impairment when they are reclassified to oil and gas properties, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Financial derivatives
Derivative financial instruments are used by the Company to manage its exposure to market risks relating to commodity prices. The Company’s policy is not to use derivative financial instruments for speculative purposes. The estimate of fair value of all derivative instruments is based on quoted market prices, or in their absence, third party market indications and forecasts and includes an estimate of the credit quality of counterparties to the derivative instruments. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

The Company has not designated its financial derivative commodity contracts as effective accounting hedges, and therefore has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are measured at fair value, with any gains and losses recorded in profit or loss.

Decommissioning obligations
The Company is subject to various government laws and regulations relating to environmental disturbances caused by the Company’s development activities. The Company records the present value of the estimated legal and constructive obligations required to restore sites in the period in which the obligation is expected to be incurred. The nature of decommissioning liabilities includes restoration, reclamation, and revegetation of the affected sites.

Decommissioning obligations generally arises when the environmental disturbance, subject to government laws and regulations, requires remediation. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related petroleum and natural gas assets. Over time, the discounted liability is increased for changes in the present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and decommissioning obligation in the period in which they occur.

Share Capital
Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity as share issue costs.

Revenue
Revenue from the sale of crude oil, natural gas and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with marketers and other third parties. Saturn recognizes revenue when it transfers control of the product to the contract customer. In making this evaluation, management considers if Saturn has the ability to direct the use of, and obtain substantially all of the remaining benefits from the delivery of the product.

Saturn evaluates its arrangements with marketers and other third parties to determine if the Company acts as the principal or as an agent. In making this evaluation, the Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the primary responsibility for the delivery of the product or rendering of the service, having the ability to establish prices or having inventory risk. If the Company acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

The Company does not have contracts with customers where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

Share-based payments
The Company uses the fair value method of accounting for instruments granted under its long-term incentive plan ("LTIP"), which include stock options, Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs"). Judgments include which valuation model is most appropriate for the grant of the award to estimate its fair value. Estimates and assumptions are then used in the valuation model to determine fair value (note 14).

For stock options, the Company uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the option, the anticipated volatility of the share price over the life of the option, the risk-free interest rate for the life of the option, and the number of options that will ultimately vest. Share based compensation expense is expensed over the vesting period with a corresponding increase to contributed surplus. Consideration received on the exercise of stock options, together with the amount previously recognized in contributed surplus is credited to share capital. The Company capitalizes a portion of share-based payments directly attributable to development activities, with a corresponding decrease to share-based payments expense.

For RSUs and DSUs, the fair value of the award is estimated based on the market price as ascribed by the TSXV, being the closing price on the day issued. Judgment is also required to estimate the rate of forfeiture, or number of RSUs or DSUs that will ultimately vest. Share based compensation expense is expensed over the vesting period with a corresponding increase to contributed surplus. Once vested, common shares are issued from Treasury and recorded with an increase to share capital and a corresponding decrease to contributes surplus. The Company capitalizes a portion of share-based payments directly attributable to development activities, with a corresponding decrease to share-based payments expense.

PSUs are measured at the fair value of the award is estimated based on the market price as ascribed by the TSXV, being the closing price on the day issued. Share based compensation expense is expensed over the vesting period with a corresponding increase to contributed surplus. Once vested, common shares are issued and recorded with an increase to share capital and a corresponding decrease to contributes surplus. The Company capitalizes a portion of share-based payments directly attributable to development activities, with a corresponding decrease to share-based payments expense.

Financing expense
Finance expense comprises interest expense on borrowings, accretion of debt instruments, accretion of leases and accretion of decommissioning obligations. The original issue discount and debt issue costs are recognized within profit or loss using the effective interest method.

Income taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred-tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred-tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred-tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share
Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the periods presented, this calculation proved to be anti-dilutive.

New Accounting Policies
Saturn has adopted amendments to IAS 1 *Presentation of Financial Statements* (“IAS 1”) regarding the disclosure of material accounting policies, effective January 1, 2023. This amendment was disclosure related and did not impact the Company's accounting policies.

Saturn adopted the following amendments to IAS 12 Income Taxes (“IAS 12”) that were effective for annual periods beginning on or after January 1, 2023. There was not a material impact to Saturn’s financial statements.

> *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* issued by the International Accounting Standards Board (“IASB”) which made amendments to IAS 12. The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
>
> Measurement and disclosure aspects of the amendment to IAS 12 *International Tax Reform - Pillar Two Model Rule*s which provides an exception to the requirements for income tax accounting that an entity shall neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Future Accounting Pronouncements
Effective January 1, 2024, the Company plans to adopt the following amendments to IAS 1.

> In January 2020, the IASB issued amendments to IAS 1, to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position.
>
> In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants.

4. Determination of Fair Values

Several of the Company's accounting policies and disclosures require the determination of fair value, both for financial and nonfinancial assets and liabilities. Inputs used to estimate fair values are categorized into three levels in a fair value hierarchy. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The three levels are defined below:

Level 1 - Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

PP&E and E&E
The fair value of property, plant and equipment recognized is based on market values. The fair value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of oil and gas properties is estimated with reference to the discounted cash flows expected to be derived from proved and probable oil and gas reserves based on independent third-party proved and probable oil and gas reserve reports or in certain circumstances proved and probable oil and gas reserves as estimated by internal reserve evaluators. The market value of exploration and evaluation ("E&E") assets is estimated with reference to quoted market values for similar transactions.

Senior Term Loan
The fair value of the Senior Term Loan that is subject to floating Canadian Dollar Offered Rate ("CDOR"), approximates its carrying value as the rate of interest adjusts to market rates.

5. ACQUISITION

Ridgeback Resources acquisition

On February 28, 2023, the Company completed an acquisition (the "Ridgeback Acquisition") of Ridgeback Resources Inc. ("Ridgeback"), a privately held oil and gas producer focused on light oil production in Saskatchewan and Alberta. The Ridgeback Acquisition was completed for total consideration of $525.9 million, comprised of $476.4 million in cash, and 19,406,167 common shares of the Company, based on a closing day price of $2.55 per common share. The cash portion of the purchase price was funded through the net proceeds of a $125 million bought deal equity financing and a $375 million expansion to the Company's Senior Term Loan. There were $4.7 million of transaction costs incurred by the Company and expensed through earnings.

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

($000s)	February 28, 2023
Fair value of net assets acquired:	
Cash	9,777
Net working capital deficit	(6,283)
Property, plant and equipment	718,829
Right-of-use asset	4,464
Deferred income tax asset	25,907
Net financial derivatives	(380)
Lease liability	(4,464)
Decommissioning obligations	(43,706)
Gain on acquisition	(178,219)
Total	**525,925**
Consideration:	
Cash	476,439
Common shares	49,486
Total	**525,925**

Results from operations for Ridgeback are included in the Company's consolidated financial statements from the closing date of the transaction on a prospective basis. The estimated acquisition-date fair value attributed to PP&E was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared by independent third-party reserve evaluators and updated by internal reserve evaluators to reflect activity up to February 28, 2023. The estimated proved and probable oil and gas reserves and the 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 area at that time. The fair value of decommissioning obligations was estimated using a credit adjusted risk free rate of 14.5%.

Petroleum and natural gas sales of $314.6 million and net income of $54.6 million are included in the statement of income (loss) and comprehensive income (loss) for the Ridgeback Acquisition since the closing date of February 28, 2023.

Had the Ridgeback Acquisition occurred on January 1, 2023, the incremental petroleum and natural gas sales and net income for the period ended December 31, 2023, and the pro forma results would have been as follows:

($000s)	**As stated**	**Acquisition prior to close date**	*(Unaudited)* **Pro Forma**
Petroleum and natural gas sales	693,891	72,704	766,595
Net income	290,623	20,613	311,236

Viking Acquisition

On July 6, 2022, the Company acquired certain oil and gas properties targeting the Viking formation located in West Central Saskatchewan (the "Viking Acquisition"). The Viking Acquisition was completed for total cash consideration of $240.9 million, after final adjustments. The Viking Acquisition 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)	July 6, 2022
Oil and gas properties	260,484
Decommissioning obligations	(7,378)
Deferred income tax liability	(3,054)
Net assets acquired	**250,052**
Cash consideration	240,875
Gain on acquisition	**9,177**

The determination of the estimated acquisition-date fair value of the oil and gas properties has been derived from proved and probable oil and gas reserves as estimated by the Company's internal reserve evaluators at the acquisition date. The estimated proved and probable oil and gas reserves 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%.

6. PROPERTY, PLANT AND EQUIPMENT

Cost ($000s)	**Oil and gas properties**	**Exploration and evaluation assets**	**Other assets**	**Total**
As at December 31, 2021	191,447	4,485	342	196,274
Additions	86,450	1,858	797	89,105
Capitalized share based payments	165	-	-	165
Acquisition	276,195	-	-	276,195
Expiries	-	(710)	-	(710)
Change in decommissioning obligations	4,218	-	-	4,218
As at December 31, 2022	558,475	5,633	1,139	565,247
Additions	**128,779**	**1,033**	**761**	**130,573**
Acquisition (note 5)	**718,829**	**-**	**-**	**718,829**
Capitalized share based payments	**1,120**	**-**	**-**	**1,120**
Expiries	**-**	**(1,053)**	**-**	**(1,053)**
Change in decommissioning obligations	**1,276**	**-**	**-**	**1,276**
As at December 31, 2023	**1,408,479**	**5,613**	**1,900**	**1,415,992**
Accumulated depletion, depreciation and amortization				
As at December 31, 2021	28,715	-	165	28,880
Depletion, depreciation and amortization	44,080	-	323	44,403
As at December 31, 2022	72,795	-	488	73,283
Depletion, depreciation and amortization	**144,139**	**-**	**601**	**144,740**
As at December 31, 2023	**216,934**	**-**	**1,089**	**218,023**
Net book value				
As at December 31, 2022	485,680	5,633	651	491,964
As at December 31, 2023	**1,191,545**	**5,613**	**811**	**1,197,969**

As at December 31, 2023, the calculation of depletion includes estimated forecasted future development costs relating to the development of proved and probable oil and gas reserves of $1,246.0 million (December 31, 2022 - $473.8 million). The Company capitalized $8.6 million of general and administrative costs for the year ended December 31, 2023 (December 31, 2022 - $2.2 million) and capitalized $1.1 million of share-based compensation expense for the year ended December 31, 2023 (December 31, 2022 - $0.2 million).

At December 31, 2023 and December 31, 2022, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

7. RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities and vehicles. See note 8 for additional information regarding the Company's leases.

Cost ($000s)	**Offices**	**Vehicles**	**Total**
As at December 31, 2021	3,354	1,349	4,703
Additions	290	246	536
As at December 31, 2022	3,644	1,595	5,239
Additions	**1,573**	**244**	**1,817**
Acquired (note 5)	**3,308**	**1,156**	**4,464**
As at December 31, 2023	**8,525**	**2,995**	**11,520**

Accumulated depreciation	**Offices**	**Vehicles**	**Total**
As at December 31, 2021	691	236	927
Depreciation	584	338	922
As at December 31, 2022	1,275	574	1,849
Depreciation	**2,205**	**913**	**3,118**
As at December 31, 2023	**3,480**	**1,487**	**4,967**

Net book value			
As at December 31, 2022	2,369	1,021	3,390
As at December 31, 2023	**5,045**	**1,508**	**6,553**

8. LEASES

The following table reconciles the changes in the lease liability for the years:

($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**3,163**	3,747
Acquired (note 5)	**4,464**	-
Additions	**1,817**	536
Lease payment	**(4,745)**	(1,654)
Interest expense	**1,068**	534
Carrying value, end of year	**5,767**	3,163
Current	**5,032**	1,358
Long-term	**735**	1,805

As at December 31, 2023, the estimated undiscounted cash flows required to settle the Company's lease liability was $12.2 million (December 31, 2022 - $6.5 million).

9. WARRANT LIABILITIES

($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**2,020**	4,856
Change in fair value	**163**	(2,836)
Expired	**(2,183)**	-
Balance, end of year	**-**	2,020

On March 1, 2023, the 2,190,000 share purchase warrants expired as a result of the Term Note retirement on February 28, 2022. Upon expiry, the fair value of $2.0 million was recognized in profit or loss for the year ended December 31, 2023.

10. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation represents costs to reclaim and abandon the Company's wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that the total undiscounted cash flows required to settle the obligations will be $434.7 million (December 31, 2022 - $239.8 million) which has been inflated at 2.0% (December 31, 2022 - 2.0%) and discounted using the credit adjusted risk-free rate of 14.5% (December 31, 2022 - 14.5%) with an estimated timeline to abandoned between 1 and 52 years.

($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**52,626**	47,296
Acquired (note 5)	**43,706**	7,966
Obligations incurred (note 6)	**48**	569
Change in estimates (note 6)	**1,228**	3,649
ASCP settlements	**(226)**	(13,639)
Cash settlements	**(10,486)**	(582)
Accretion (note 17)	**13,759**	7,367
Balance, end of year	**100,655**	52,626
Current	**11,382**	-
Long-term	**89,273**	52,626

Both the Saskatchewan and Alberta assets are subject to provincial programs that mandate the minimum spend targets on the Company's decommissioning obligations. These amounts have been moved to current decommissioning obligations, net of current year spend.

During the year ended December 31, 2023, Saturn was granted $0.2 million (December 31, 2022 - $13.6 million) from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP") which has been recorded as other income in the statement of income.

11. SENIOR TERM LOAN

On February 28, 2023, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $375.0 million to an aggregate principal amount of $608.2 million at an original issue discount of 2.5%. The loans scheduled principal repayment dates are as follows: February 28, 2023 to April 30, 2023 of $nil, May 1, 2023 to April 30, 2024 of $25.4 million per month, May 1, 2024 to April 30, 2025 of $15.2 million per month and May 1, 2025 to February 28, 2026 of $10.2 million per month. On September 29, 2023, the Company entered into an amending agreement with its senior secured lender thereby deferring scheduled principal repayments in September and December 2023 for the aggregate amount of $50.7 million, which is due and payable upon maturity. 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 rate at a minimum rate of 1%. The amended Senior Term Loan has a stated maturity date of February 28, 2026.

On February 21, 2024, the Company entered into an amending agreement with its senior secured lender providing up to $55.0 million of optional principal repayment deferrals within fiscal 2024. If exercised, the aggregate amount of the optional principal deferred will become due and payable upon maturity.

Principal ($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**245,479**	68,860
Additions	**375,000**	238,000
Repayments	**(164,456)**	(61,381)
Balance, end of year	**456,023**	245,479
Debt issue costs and discount		
Balance, beginning of year	**(4,636)**	(3,805)
Additions, original issue discount	**(9,375)**	(8,032)
Additions, debt issue costs	**(4,222)**	(1,080)
Acceleration on extinguishment	**8,265**	4,284
Amortization	**5,098**	3,997
Balance, end of year	**(4,870)**	(4,636)
Carrying value	**451,153**	240,843
Current	**219,957**	119,934
Long-term	**231,196**	120,909

Covenants

The Senior Term Loan is subject to various covenants on the part of the Company including limitations on certain types of activities, restrictions or requirements with respect to additional debt, liquidity, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. Prior to year end, the Company signed an amending agreement reducing the Current Ratio Minimum to 0.75 to 1.00 for the year ended December 31, 2023. As at December 31, 2023, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the key financial covenants set forth in the credit agreement and amending agreements.

Covenant description	**Covenant Ratio**	**December 31, 2023**
PDP Asset Coverage Ratio Minimum(1)	1.75	2.42
Current Ratio Minimum(2)	0.75	0.85
First Lien Net Leverage Ratio Maximum(3)	1.75	1.10

(1) The ratio of the PV10 of Saturn's proved developed producing ("PDP") reserves, measured at the five year strip price and held flat thereafter, net of derivatives, to the principal outstanding of the Senior Term Loan net of cash.
(2) The ratio of current assets; excluding financial derivatives, to current liabilities; excluding the current portion of the Senior Term Loan, financial derivatives, and lease liabilities.
(3) The ratio of the principal outstanding on the Senior Term Loan net of cash, to annualized adjusted EBITDA (note 19).

Subsequent to December 31, 2023, the Company signed an amending agreement to reduce the Current Ratio Minimum to 0.85 to 1.00 for the quarters ended March 31, June 30, September 30, and December 31, 2024.

Loss on debt extinguishment

On February 28, 2023, the Company expanded its Senior Term Loan by $375.0 million in relation to the Ridgeback Acquisition. Accordingly, the pre-existing unamortized original issue discount and new debt issue costs were expensed in the period. The following tables reconciles the loss on debt extinguishment:

($000s)	**Amount**
Senior Term Loan principal outstanding (pre-expansion)	233,194
Senior Term Loan unamortized debt issue costs	(4,043)
Senior Term Loan carrying value	229,151
Senior Term Loan extinguished	(233,194)
New debt issue costs	(4,222)
Loss on debt extinguishment	**(8,265)**
Comprised of:	
Senior Term Loan unamortized debt issue costs, non-cash	(4,043)
New debt issue costs	(4,222)
Loss on debt extinguishment	**(8,265)**

Unsecured letter of credit facility

The Company has a $30.0 million unsecured demand letter of credit facility (the "LC Facility") with a syndicate of Canadian banks. Saturn's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. At December 31, 2023, $8.6 million was drawn under the LC Facility (December 31, 2022 - $nil). The PSG is subject to annual renewal with the next scheduled renewal date of February 29, 2024.

Subsequent to year end, the Company reduced the amount of the LC Facility down to $10.0 million to align with its letter of credit requirements, of which $7.4 million was drawn.

12. PROMISSORY NOTES

On June 30, 2023, the Company retired the note payable to a shareholder in the full amount of $0.8 million.

($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**828**	784
Settlement	**(836)**	-
Interest and accretion	**8**	44
Balance, end of year	**-**	828

13. CONVERTIBLE NOTES

As at December 31, 2023, the Company has a $1.1 million (December 31, 2022 - $1.0 million) convertible note payable due to a shareholder. The note bears interest at 5% per annum and is subordinated until February 2026. 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 $3.00 per share. Effective July 31, 2023, the Company retired a convertible note payable to a shareholder in the full amount of $1.3 million representing an aggregate of 679,112 fully paid Common Shares.

($000s)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**2,361**	2,197
Interest and accretion	**87**	164
Settlement	**(1,358)**	-
Balance, end of year	**1,090**	2,361

14. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. As at December 31, 2023 there are 139,312,898 common shares outstanding.

Issued and outstanding

(000s)	**December 31, 2023** Shares	Amount	December 31, 2022 Shares	Amount
Balance, beginning of year	**59,892**	**122,017**	25,165	45,609
Common shares issued for cash proceeds	**59,242**	**125,001**	34,199	95,763
Common shares issued as consideration	**19,406**	**49,486**	-	-
Convertible note conversion	**679**	**1,358**	-	-
Cash share issue costs, net of tax recovery	**-**	**(5,632)**	-	(3,638)
Non-cash share issue costs	**-**	**-**	-	(2,890)
Stock option exercise	**86**	**123**	150	502
Restricted share unit exercise	**8**	**35**	-	-
Broker option exercise	**-**	**-**	378	1,350
Allocation to warrants	**-**	**-**	-	(14,679)
Balance, end of year	**139,313**	**292,388**	59,892	122,017

On February 28, 2023, the Company completed a bought-deal equity financing issuing 59,242,000 common shares at a price of $2.11 per common share for gross proceeds of $125.0 million and incurred associated share issue costs of $8.3 million.

As partial consideration for the Ridgeback Acquisition (note 5), the Company issued 19,406,167 common shares to the previous shareholders of Ridgeback.

On February 22, 2024, the Company completed a bought-deal equity financing issuing 22,223,000 common shares at a price of $2.25 per common share for gross proceeds of $50.0 million and incurred associated share issue costs of $2.6 million.

Warrants

(000s, except per warrant price)	**December 31, 2023** Warrants	Weighted average exercise price	December 31, 2022 Warrants	Weighted average exercise price
Balance, beginning of year	**36,520**	**3.35**	15,607	3.20
Expired	**(29,649)**	**3.20**	-	-
Issued	**-**	**-**	20,913	3.46
Balance, end of year	**6,871**	**4.00**	36,520	3.35

As at December 31, 2023, the following TSX listed share purchase warrants are outstanding and exercisable:

(000s, except per warrant price) **Expiry date**	**Type**	**Exercise price**	**Warrants outstanding and exercisable**
March 10, 2025	SOIL.WT.A	4.00	6,871

Broker options

(000s, except per broker option price)	December 31, 2023 **Broker options**	**December 31, 2023** **Weighted average exercise price**	December 31, 2022 Broker options	December 31, 2022 Weighted average exercise price
Balance, beginning of year	**2,532**	**2.71**	891	2.40
Expired	**(2,133)**	**2.67**	-	-
Issued	**-**	**-**	2,019	2.80
Exercised	**-**	**-**	(378)	2.40
Balance, end of year	**399**	**3.00**	2,532	2.71

As at December 31, 2023, the following broker options are outstanding and exercisable:

(000s, except per broker option price) **Expiry date**	**Exercise price**	**Broker options outstanding and exercisable**
March 10, 2024 (1)	3.00	399

(1) 399,165 broker options outstanding, each exercisable at $3.00 into one common share and one warrant. Each whole warrant exercisable at $4.00 per warrant expiring March 10, 2025.

On March 10, 2024, the 399,165 broker options and underlying warrants expired, unexercised.

Stock options

The Company has a Long Term Incentive Plan ("LTIP") under which it is authorized to grant stock options to directors, officers, employees and consultants enabling them to acquire common shares of the Company upon exercise. The stock options are generally granted for maximum term of five years, and vest in thirds on each of the first, second and third anniversary after the grant date. Vesting conditions are determined by the Board of Directors.

(000s, except per option price)	December 31, 2023 **Stock options**	**December 31, 2023** **Weighted average exercise price**	December 31, 2022 Stock options	December 31, 2022 Weighted average exercise price
Balance, beginning of year	**1,687**	**2.52**	1,982	2.49
Exercised	**(280)**	**0.19**	(150)	1.80
Expired	**(175)**	**3.74**	-	-
Cancelled	**(184)**	**2.74**	(145)	2.81
Balance, end of year	**1,048**	**2.52**	1,687	2.52

As at December 31, 2023, the following stock options were outstanding and exercisable:

	Stock options outstanding			**Stock options exercisable**		
(000s, except per option price and life remaining)	**Number outstanding**	**Weighted average exercise price**	**Weighted average life remaining (years)**	**Number exercisable**	**Weighted average exercise price**	**Weighted average life remaining (years)**
2.00	125	2.00	1.5	125	2.00	1.5
2.01 - 2.40	609	2.40	2.3	514	2.40	2.2
2.41 - 3.00	314	2.96	1.5	269	2.97	1.4
	1,048	**2.52**	**2.0**	**908**	**2.51**	**1.9**

Restricted Share Units

In accordance with the LTIP, the Company is authorized to grant Restricted Share Units ("RSUs") to directors, officers, employees and consultants. The RSUs are granted for a term of three years and vest in thirds on each of the first, second and third anniversary after the grant date. The RSUs may be cash or equity settled upon vesting as determined by the Board of Directors. The fair value per RSU is equivalent to the market price at which the common shares of the Company traded on the day immediately preceding the grant date.

(000s, except life remaining)	December 31, 2023 RSUs	December 31, 2022 RSUs
Balance, beginning of year	**45**	-
Issued	**2,548**	63
Exercised	**(15)**	-
Cancelled	**(296)**	(18)
Balance, end of year	**2,282**	45
Weighted average life remaining (years)	**1.3**	2.1

Performance share units

In accordance with the LTIP, the Company is authorized to grant Performance Share Units ("PSUs") to directors, officers, employees and consultants. The PSUs are granted for a term of one year with certain performance measures specified at the grant date and may be cash or equity settled upon vesting as determined by the Company's Board of Directors. Based upon the achievement of the performance measures, a pre-determined adjustment factor between 0.5-1.5x is applied to the PSUs eligible to vest at the end of the performance period. The fair value per PSU is equivalent to the market price at which the common shares of the Company traded on the day immediately preceding the grant date.

(000s, except life remaining)	December 31, 2023 PSUs	December 31, 2022 PSUs
Balance, beginning of year	**-**	-
Issued	**667**	-
Balance, end of year	**667**	-
Weighted average life remaining (years)	**0.5**	-

Performance warrants

The Company has issued performance warrants to certain officers and directors enabling them to acquire common shares of the Company upon exercise. The performance warrants will vest upon certain vesting threshold conditions, based on the 5-day volume weighted average trading price ("VWAP") of the Company's common shares listed on the TSX. Once vested, the performance warrants may be exercised by the holder at any time from the date of vesting to the expiry date. A summary of the changes in performance warrants outstanding is as follows:

	December 31, 2023		December 31, 2022	
(000s, except per performance warrant price)	**Performance warrants**	**Weighted average exercise price**	Performance warrants	Weighted average exercise price
Balance, beginning of year	**-**	**-**	-	-
Issued	**7,000**	**2.50**	-	-
Balance, end of year	**7,000**	**2.50**	-	-

As at December 31, 2023, the following performance warrants were outstanding:

(000s, except per performance warrant price, years and VWAP)	**Performance warrants outstanding**			**Performance warrants exercisable**		
Exercise Price	**Number outstanding**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**	**Number exercisable**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**
2.50	2,333	4.00	6.0	-	-	-
2.50	2,333	6.00	6.0	-	-	-
2.50	2,334	8.00	6.0	-	-	-
	7,000		**6.0**	**-**	**-**	**-**

The fair value of performance warrants granted was estimated using a Monte Carlo simulation with the following assumptions:

	Vesting thresholds		
	$4.00	$6.00	$8.00
Total life (years)	7.0	7.0	7.0
Expected life (years)	1.5	2.5	3.0
Risk-free interest rate (%)	3.16	3.16	3.16
Expected volatility (%)	60%	60%	60%
Vesting threshold VWAP	5-day	5-day	5-day
Forfeiture rate (%)	-	-	-
Dividend yield (%)	-	-	-

Per share amounts

Basic net income (loss) per share is calculated using the weighted-average number of common shares outstanding during the reporting period. Diluted net income per share is calculated using the weighted-average number of common shares outstanding adjusted for the dilutive effect of all potentially dilutive securities, including stock options, broker options, warrants, RSUs and convertible notes. Where applicable, diluted net loss per share is equal to basic net loss per share as the effect of all potential dilutive securities are anti-dilutive. The components of basic and diluted net income (loss) per share are as follows:

	Year ended December 31,	
(000s, except per share amounts)	**2023**	2022
Weighted average shares outstanding		
Basic	**126,230**	44,402
Diluted	**129,225**	44,955
Per share income (loss)		
Basic	**2.30**	1.68
Diluted	**2.25**	1.66

15. INCOME TAXES

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual provision for deferred income taxes per the statements of net loss and comprehensive loss.

	Year ended December 31,	
($000s, except statutory rates)	**2023**	2022
Income (loss) before income taxes	**328,899**	68,949
Statutory income tax rate	**25.2%**	26.5%
Expected income tax (recovery) expense	**82,790**	18,271
Increase (decrease) resulting from:		
Non-deductible expenses	**319**	2,389
Gain on acquisition	**(44,861)**	-
Investment Tax Credit	**(1,083)**	-
Amounts booked to Equity	**-**	(3,312)
Stock based compensation	**1,220**	-
Adjustments in respect of prior year	**(315)**	(8)
Change in effective tax rate and other	**206**	(1,281)
Change in unrecognized deferred income tax assets	**-**	(21,925)
Income tax expense (recovery)	**38,276**	(5,866)

The components of the Company's deferred income tax asset (liability) are as follows:

($000s)	**December 31, 2023**	**Recognized on the Statement of Comprehensive Income**	**Recognized on business combination**	**Recognized on Statement of Change in Equity**	**December 31, 2022**
PP&E and E&E assets	**(46,201)**	(18,733)	14,866	-	(42,334)
Financial derivatives	**5,592**	(16,583)	95	-	22,080
Debt issue costs	**1,025**	(422)	-	-	1,447
Decommissioning obligations	**25,337**	485	10,927	-	13,925
Debt obligations	**257**	(252)	-	-	509
Lease liabilities	**1,452**	615	-	-	837
Stock based compensation	**1,633**	957	-	676	-
Share issue costs	**3,719**	(1,397)	-	2,669	2,447
Non-capital losses	**445**	(4,861)	-	-	5,306
	(6,741)	(40,191)	25,888	3,345	4,217

At December 31, 2023, the petroleum and natural gas assets and facilities owned by Saturn have an approximate tax basis of $1.0 billion (December 31, 2022 - $335.0 million) available for deduction against future taxable income. The Company has approximately $1.8 million (December 31, 2022 - $21.0 million) in non-capital loss carryforwards available to reduce future taxable income which expire between 2031 and 2041. At December 31, 2023, deferred tax assets of $13.1 million have not been recognized for temporary differences relating to PP&E and E&E assets (December 31, 2022 - $nil).

16. REVENUE

	Year ended December 31,	
($000s)	**2023**	2022
Crude oil	**641,906**	360,891
NGLs	**29,362**	4,325
Natural gas	**22,623**	2,741
Petroleum and natural gas sales	**693,891**	367,957
Processing income	**11,262**	3,175
	705,153	371,132

Petroleum and natural gas sales represent the proceeds received from the sale of oil, natural gas, and NGLs production under variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location, processing charges or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenue is typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

Included in accounts receivable as at December 31, 2023 is $53.7 million (December 31, 2022 - $36.3 million) of accrued petroleum and natural gas sales related to December 31, 2023 production.

Saturn generates oil treating, gas processing, and other services revenue from fees charged to third parties provided at facilities where Saturn has an ownership interest. This revenue is recorded as processing income.

17. FINANCING

($000s)	2023	2022
Interest expense	**88,901**	28,548
Interest income	**(1,981)**	(467)
Interest expense, paid in kind	**-**	572
Amortization of original issue discount and debt issue costs	**5,098**	4,185
Accretion, debt instruments	**95**	208
Accretion, leases (note 8)	**1,068**	534
Accretion, decommissioning obligations (note 10)	**13,759**	7,367
Financing expenses	**106,940**	40,947

18. SUPPLEMENTAL CASH FLOW INFORMATION

($000s)	2023	2022
Change in non-cash working capital:		
Accounts receivable	**(29,805)**	(20,881)
Deposits and prepaid expenses	**12,878**	(2,104)
Accounts payable	**65,600**	27,683
Non-cash working capital deficit acquired (note 5)	**(6,283)**	-
	42,390	4,698
Related to:		
Operating activities	**20,993**	(14,536)
Financing activities	**567**	-
Investing activities	**20,830**	19,234
Total change in non-cash working capital	**42,390**	4,698

19. CAPITAL MANAGEMENT

The Company manages its capital to safeguard its ability to continue as a going concern, so that it may provide adequate returns to shareholders, benefits to other stakeholders and have sufficient funds on hand for business opportunities as they arise. The Company's capital structure may be adjusted by issuing or repurchasing equity instruments, issuing or repurchasing debt, modifying capital spending programs and disposing of assets; the availability of any such means being dependent upon market conditions. Management reviews its approach to capital management on an ongoing basis and believes that this approach is appropriate. The Company uses the terms adjusted EBITDA, adjusted funds flow, free funds flow, net debt, capital expenditures and adjusted working capital as key capital management measures which are described and calculated below. These capital management measures are not standardized and therefore may not be comparable with the calculation of similar measures by other entities. There were no changes in the Company's approach to capital management during the period ended December 31, 2023.

Adjusted EBITDA

The Company considers adjusted EBITDA to be a key capital management measure as it is both used within certain financial covenants prescribed under the Company's Senior Term Loan (note 11) and demonstrates Saturn's standalone profitability, operating and financial performance in terms of cash flow generation, adjusting for interest related to its capital structure. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization and other non-cash or extraordinary items.

Adjusted funds flow

The Company considers adjusted funds flow to be a key capital management measure as it demonstrates Saturn's ability to generate the necessary funds to manage production levels and fund future growth through capital investment. Management believes that this measure provides an insightful assessment of Saturn's operations on a continuing basis by eliminating certain non-cash charges, actual settlements of decommissioning obligations, of which the nature and timing of expenditures may vary based on the stage of the Company's assets and operating areas, and transaction costs which vary based on the Company's acquisition and disposition activity.

Free funds flow

The Company considers free funds flow to be a key capital management measure as it is used to determine the efficiency and liquidity of Saturn's business, measuring its funds available after capital investment available for debt repayment, pursue acquisitions and gauge optionality to pay dividends and/or return capital to shareholders through share repurchases. Saturn calculates free funds flow as adjusted funds flow in the period less expenditures on property, plant and equipment and exploration and evaluation assets, together "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 EBITDA, adjusted funds flow and free funds flow to cash flow from operating activities:

	Year ended December 31,	
($000s)	**2023**	2022
Cash flow from operating activities	**283,988**	102,314
Change in non-cash working capital	**(20,993)**	14,536
Decommissioning expenditures	**10,486**	582
Transaction costs	**4,657**	1,226
Current tax recovery	**(1,915)**	-
Net interest[(1)]	**86,920**	28,082
Adjusted EBITDA	**363,143**	146,740
Current tax recovery	**1,915**	-
Net interest[(1)]	**(86,920)**	(28,082)
Adjusted funds flow	**278,138**	118,658
Capital expenditures[(2)]	**(130,573)**	(89,105)
Free funds flow	**147,565**	29,553

(1) Calculated as interest expense, net of interest revenue.
(2) Calculated as expenditures on PP&E and E&E assets on the consolidated statements of cash flows.

Market capitalization and net debt

Management considers net debt a key capital management measure in assessing the Company's liquidity. Total market capitalization and net debt to annualized quarterly adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity. The summary of total market capitalization, net debt, annualized quarterly adjusted funds flow and net debt to annualized quarterly adjusted funds flow is as follows:

($000s)	**December 31, 2023**	December 31, 2022
Total common shares outstanding (000s)	**139,313**	59,892
Share price[(1)]	**2.20**	2.35
Total market capitalization	**306,489**	140,746
Adjusted working capital[(2)]	**8,240**	(3,128)
Senior Term Loan	**451,153**	240,843
Convertible notes	**1,090**	2,361
Long-term deposit	**-**	(21,101)
Promissory notes	**-**	828
Net debt	**460,483**	219,803
Current quarter adjusted funds flow	**80,247**	50,729
Annualized factor	**4**	4
Annualized quarterly adjusted funds flow	**320,988**	202,916
Net debt to annualized quarterly adjusted funds flow	**1.4x**	1.1x

(1) Represents the closing share price on the TSX 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.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Financial derivatives

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 (loss) before tax. A ten percent increase or decrease in commodity prices would have resulted in a $99.2 million change to unrealized gains (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 December 31, 2023:

	WTI Collars				WTI Swaps				WTI/MSW Differential			
Period	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl
Q1 2024	2,103	50.63-56.49	-	-	3,490	65.31	7,046	102.49	692	(8.50)	11,583	(5.46)
Q2 2024	2,044	50.61-56.46	-	-	3,332	65.01	6,604	101.59	1,000	(3.75)	11,020	(6.25)
Q3 2024	1,992	50.63-56.49	-	-	3,173	64.67	6,227	97.99	4,324	(4.48)	7,142	(6.25)
Q4 2024	1,923	50.56-56.32	-	-	3,054	64.50	5,901	97.39	11,300	(4.61)	-	-
Q1 2025	1,818	50.38-54.60	-	-	2,978	60.50	5,663	93.40	-	-	-	-
Q2 2025	1,771	55.14-59.00	-	-	2,871	63.22	4,680	91.80	-	-	-	-
Q3 2025	1,729	65.00-68.10	-	-	2,753	69.05	4,483	88.72	-	-	-	-
Q4 2025	1,684	65.00-68.10	-	-	2,637	68.99	4,304	88.72	-	-	-	-
Q1 2026	1,080	65.00-68.10	-	-	3,077	67.21	4,156	85.22	-	-	-	-
Q2 2026	-	-	-	-	4,028	67.30	3,989	85.22	-	-	-	-
Q3 2026	-	-	-	-	-	-	7,735	82.86	-	-	-	-
Q4 2026	-	-	-	-	-	-	7,467	82.86	-	-	-	-
Q1 2027	-	-	-	-	-	-	5,150	79.85	-	-	-	-

(1) Weighted average prices for the period.

Financial derivative assets and liabilities are only offset if the Company has the legal right to offset and intends to settle on a net basis. The Company offsets financial instrument assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivative commodity contracts that are offset on the balance sheet as at December 31, 2023:

($000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	24,638	(7,837)	16,801
Long term asset	9,714	(9,714)	-
Current liability	(39,740)	7,837	(31,903)
Long term liability	(16,826)	9,714	(7,112)
Net liability position	**(22,214)**	**-**	**(22,214)**

Subsequent to December 31, 2023, Saturn entered into the following derivative commodity contracts:

	WTI Collars				WTI Swaps				WTI/MSW Differential			
Period	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl
Q1 2024	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2024	-	-	-	-	-	-	664	100.10	-	-	-	-
Q3 2024	-	-	-	-	-	-	330	100.10	-	-	-	-
Q4 2024	-	-	-	-	-	-	119	100.10	-	-	-	-
Q1 2025	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2025	-	-	-	-	-	-	546	93.00	-	-	-	-
Q3 2025	-	-	-	-	-	-	440	93.00	-	-	-	-
Q4 2025	-	-	-	-	-	-	369	93.00	-	-	-	-
Q1 2026	-	-	-	-	-	-	325	88.50	-	-	-	-
Q2 2026	-	-	-	-	-	-	331	88.50	-	-	-	-
Q3 2026	-	-	-	-	-	-	314	88.50	-	-	-	-
Q4 2026	-	-	-	-	-	-	266	88.50	-	-	-	-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company actively manages its liquidity risk through strategies such as prudent capital spending, an active commodity risk management program 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. The Company has the following maturities of financial liabilities at December 31, 2023:

($000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	223,086	232,938	-	-	456,024
Interest payments[1]	64,370	35,949	-	-	100,319
Convertible notes	-	1,204	-	-	1,204
Lease liabilities[2]	5,518	5,057	1,185	518	12,278
Gas processing contracts	3,539	3,444	2,047	5,736	14,766
Accounts payable	122,133	-	-	-	122,133
	418,646	**278,592**	**3,232**	**6,254**	**706,724**

(1) Represents cash interest payments on scheduled payment dates related to the Senior Term Loan, at the period end Canadian dollar bankers' acceptance rate.
(2) Represents the remaining undiscounted minimum lease payments on the Company's lease liabilities.

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 that 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.

The maximum credit exposure on accounts receivable at the reporting date by type of customer was:

($000s)	**December 31, 2023**	December 31, 2022
Oil and natural gas marketing companies	**50,204**	36,131
Joint venture partners	**15,404**	4,243
Other	**5,117**	546
Total accounts receivable	**70,725**	40,920

The Company's five most significant customers account for $41.2 million of accounts receivable as at December 31, 2023 (December 31, 2022 – $28.3 million) and are classified as current. As at December 31, 2023, the Company's trade and other receivables balance was $70.7 million (December 31, 2022 - $40.9 million) and $3.8 million (December 31, 2022 - $0.7 million) was outstanding for greater than 90 days. 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 $3.6 million change to net income (loss) before tax (December 31, 2022 – $8.9 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 financial derivatives.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate from changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates 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 $1.2 million during the period ended December 31, 2023 (December 31, 2022 – $2.1 million) assuming all other variables remain constant.

Price risk

The Company is exposed to price risk related to commodity and equity prices. Equity price risk is 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 the potential adverse impact on earnings and economic value due to commodity price movements and volatility. The Company's commodity price risk is also impacted by its derivative contracts. 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.

Net debt and capital structure

Management considers net debt a key measure in assessing the Company's liquidity. The Company's net debt and capital structure is as follows:

($000s)	**December 31, 2023**	December 31, 2022
Net debt	**460,483**	219,803
Shareholders' equity	**608,662**	138,516
Total capitalization	**1,069,145**	358,319

The Company manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions, acquisitions or divestitures and the risk characteristics of the Company's underlying assets and operations. The capital structure may be adjusted by issuing or repurchasing shares, issuing or repurchasing debt, modifying capital spending programs and acquisition or disposal of assets, the availability of any such means being dependent upon market conditions.

21. COMMITMENTS

The Company has the following contractual obligations and commitments as at December 31, 2023:

($000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan(1)	223,086	232,938	-	-	456,024
Interest payments(2)	64,370	35,949	-	-	100,319
Convertible notes	-	1,204	-	-	1,204
Lease liabilities(3)	5,518	5,057	1,185	518	12,278
Gas processing contracts	3,539	3,444	2,047	5,736	14,766
	296,513	**278,592**	**3,232**	**6,254**	**584,591**

(1) Subsequent to December 31, 2023, the Company entered into an amending agreement with its senior secured lender providing up to $55.0 million of optional principal repayments deferrals within 2024.
(2) Represents cash interest payments on scheduled payment dates related to the Senior Term Loan, at the period end Canadian dollar bankers' acceptance rate.
(3) Represents the remaining undiscounted minimum lease payments on the Company's lease liabilities.

22. RELATED PARTY TRANSACTIONS

The Company engages Broadbill Energy Inc. ("Broadbill") to provide Saturn with oil and gas marketing services as well as Prairie Logistics Transportation Ltd ("PLT") for oil and gas transportation services. The Chief Executive Officer of Broadbill and PLT is a director and shareholder of Saturn, and the Chief Executive Officer of Saturn is a director of Broadbill. During the year ended December 31, 2023, the Company incurred $0.5 million in marketing services (December 31, 2022 – $0.8 million) as well as $1.6 million in trucking services. As at December 31, 2023, a $0.3 million payable balance (December 31, 2022 – $0.1 million) was outstanding to Broadbill and a $0.1 million payable balance was outstanding to PLT.

The Company engages Axiom Exploration Group Ltd. ("Axiom") to provide Saturn with project management services related to the Saskatchewan Accelerated Site Closure Program. The Chief Executive Officer of Saturn is a director and shareholder of Axiom. During the year ended December 31, 2023, the Company incurred nil in project management services (December 31, 2022 – $0.1 million). As at December 31, 2023, a nil payable balance (December 31, 2022 – nil) was outstanding.

Compensation relating to key management personnel and directors of the Company, including salaries and accrued bonuses and share based payments for the year ended December 31, 2023 totaled $6.2 million and $6.2 million, respectively (December 31, 2022 – $3.1 million and $0.2 million).

23. SUBSEQUENT EVENTS

Equity financing

On February 22, 2024, the Company completed a bought-deal equity financing issuing 22,223,000 common shares at a price of $2.25 per common share for gross proceeds of $50.0 million and incurred associated share issue costs of $2.6 million.

Warrants

On March 10, 2024, the 399,165 broker options and underlying warrants expired unexercised.

Senior Term Loan

On February 1, 2024, the Company entered into an amending agreement with its senior secured lender to reduce the Current Ratio Minimum to 0.85 to 1.00 for the quarters ended March 31, June 30, September 30, and December 31, 2024.

On February 21, 2024, the Company entered into an amending agreement with its senior secured lender providing up to $55.0 million of optional principal repayment deferrals within fiscal 2024. If exercised, the aggregate amount of the optional principal deferred will become due and payable upon maturity.