

SATURN OIL & GAS INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(unaudited)

As at (\$000s)	March 31, 2024	December 31, 2023
ASSETS		
Cash	15,967	26,460
Accounts receivable	73,808	70,725
Deposits and prepaid expenses	17,185	16,708
Assets held for sale (note 3)	26,733	-
Financial derivatives (note 13)	-	16,801
Total current assets	133,693	130,694
Property, plant and equipment (note 3)	1,160,875	1,197,969
Right-of-use assets (note 4)	16,934	6,553
Deferred tax asset	15,219	-
Total assets	1,326,721	1,335,216
LIABILITIES		
Accounts payable	116,532	122,133
Senior Term Loan (note 7)	134,295	219,957
Lease liabilities (note 5)	3,530	5,032
Decommissioning obligations (note 6)	6,862	11,382
Liabilities associated with assets held for sale (note 3, 6)	1,157	-
Financial derivatives (note 13)	73,657	31,903
Total current liabilities	336,033	390,407
Senior Term Loan (note 7)	241,447	231,196
Convertible notes	1,103	1,090
Lease liabilities (note 5)	12,460	735
Decommissioning obligations (note 6)	88,147	89,273
Deferred tax liability	-	6,741
Financial derivatives (note 13)	51,795	7,112
Total liabilities	730,985	726,554
SHAREHOLDERS' EQUITY		
Share capital (note 8)	339,559	292,388
Contributed surplus (note 8)	49,719	46,834
Warrants (note 8)	7,200	7,200
Retained earnings	199,258	262,240
Total shareholders' equity	595,736	608,662
Total liabilities and shareholders' equity	1,326,721	1,335,216

Commitments (note 14)
Subsequent events (note 15)

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME
(LOSS)
(unaudited)**

(\$000s, except per share amounts)	Three months ended March 31,	
	2024	2023
REVENUE		
Petroleum and natural gas sales (note 9)	168,219	131,407
Processing income (note 9)	3,469	1,961
Royalties	(21,189)	(14,947)
	150,499	118,421
Realized loss on derivatives (note 13)	(4,601)	(7,275)
Unrealized gain (loss) on derivatives (note 13)	(103,238)	32,484
Other income	-	246
	42,660	143,876
EXPENSES		
Operating	51,032	35,678
Transportation	3,155	1,609
General and administrative	3,525	3,914
Depletion depreciation and amortization (notes 3,4)	42,229	25,801
Share based payments (note 8)	2,252	1,039
Financing (note 10)	24,497	19,400
Foreign exchange loss	33	98
Loss on debt extinguishment	-	8,265
Gain on warrant liability	-	(2,020)
Transaction costs	-	3,748
Gain on acquisitions	-	(185,290)
	126,723	(87,758)
Net income (loss) before taxes	(84,063)	231,634
Deferred tax expense (recovery)	(21,081)	12,584
Net income (loss) and comprehensive income (loss)	(62,982)	219,050
Net income (loss) per share (note 8)		
Basic	(0.42)	2.52
Diluted	(0.42)	2.51

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(\$000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Retained earnings (deficit)	Total
Balance, December 31, 2022	59,892	122,017	14,740	30,142	(28,383)	138,516
Equity financings	78,648	174,486	-	-	-	174,486
Cash share issue costs	-	(8,288)	-	-	-	(8,288)
Tax impact on share issue costs	-	2,072	-	-	-	2,072
Share based payments	-	-	1,060	-	-	1,060
Stock option exercise	86	159	(190)	-	-	(31)
Broker option exercise	8	-	-	-	-	-
Net income for the period	-	-	-	-	219,050	219,050
Balance, March 31, 2023	138,634	290,446	15,610	30,142	190,667	526,865
Balance, December 31, 2023	139,313	292,388	46,834	7,200	262,240	608,662
Equity financings (note 8)	22,223	50,002	-	-	-	50,002
Cash share issue costs (recovery)	-	(2,579)	-	-	-	(2,579)
Tax impact on share issue costs	-	649	-	-	-	649
Share based payments	-	-	2,655	-	-	2,655
Share based award exercises	9	-	-	-	-	-
Treasury Shares	(339)	(901)	-	-	-	(901)
Tax adjustment on share based payments	-	-	230	-	-	230
Net loss for the period	-	-	-	-	(62,982)	(62,982)
Balance, March 31, 2024	161,206	339,559	49,719	7,200	199,258	595,736

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(unaudited)

(\$000s)	Three months ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net income (loss) for the period	(62,982)	219,050
Items not affecting cash:		
Depletion, depreciation and amortization (notes 3,4)	42,229	25,801
Share based payments (note 8)	2,252	1,039
Deferred income tax expense (recovery)	(21,081)	12,584
Unrealized (gain) loss on financial derivatives (note 13)	103,238	(32,484)
Gain on warrant liability	-	(2,020)
Unrealized foreign exchange gain	-	(8)
Gain on acquisition	-	(185,290)
Loss on debt extinguishment	-	8,265
Non-cash financing expenses (note 10)	4,522	3,995
Other income	-	(226)
Decommissioning expenditures (note 6)	(4,521)	(259)
Change in non-cash working capital (note 11)	6,565	(3,653)
Cash from operating activities	70,222	46,794
FINANCING ACTIVITIES		
Proceeds from Senior Term Loan, net of discount (note 7)	-	365,625
Debt issue costs (note 7)	-	(4,222)
Repayment of Senior Term Loan (note 7)	(76,085)	(12,286)
Proceeds from share issuance (note 8)	50,002	125,001
Share issue costs (note 8)	(2,579)	(8,288)
Stock option exercises (note 8)	-	36
Purchase of Treasury Shares (note 8)	(901)	-
Lease payments (note 5)	(1,460)	(770)
Change in non-cash working capital (note 11)	-	2,485
Cash from (used in) financing activities	(31,023)	467,581
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	-	(465,223)
Capital expenditures (note 3)	(33,966)	(24,283)
Change in non-cash working capital (note 11)	(15,726)	(10,057)
Cash used in investing activities	(49,692)	(499,563)
Change in cash, during the period	(10,493)	14,812
Cash, beginning of period	26,460	10,256
Cash, end of period	15,967	25,068

Cash interest paid (note 10)

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023
(unaudited)

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

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in accordance with IAS 34 – Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all information required for annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2023. These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies as the Company’s audited consolidated financial statements for the year ended December 31, 2023. The IASB issued amendments to IAS 1 - Presentation of Financial Statements, effective January 1, 2024, related to the classification of liabilities as current and non-current. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. These amendments to IAS 1 did not have a material impact on the Company’s financial statements.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Company’s Board of Directors on May 15, 2024.

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.

Basis of measurement, functional and presentation currency

The unaudited condensed consolidated interim 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.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Significant judgments, estimates, fair values and accounting policies

The preparation of the unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies impacting fair value and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments, estimates and assumptions made by management in these unaudited condensed consolidated interim financial statements are outlined in note 2 of the Company's December 31, 2023 annual consolidated financial statements. There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during the interim period ended March 31, 2024, relative to those described in the most recent annual consolidated financial statements as at and for the year ended December 31, 2023.

3. PROPERTY, PLANT AND EQUIPMENT

Cost (\$000s)	Oil and gas properties	Exploration and evaluation assets	Other assets	Total
As at December 31, 2022	558,475	5,633	1,139	565,247
Additions	128,779	1,033	761	130,573
Capitalized share based payments	1,120	-	-	1,120
Acquisition	718,829	-	-	718,829
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
Additions	33,438	-	528	33,966
Capitalized share based payments	403	-	-	403
Assets reclassified as held for sale	(26,733)	-	-	(26,733)
Expiries	-	(175)	-	(175)
Change in decommissioning obligations	(3,454)	-	-	(3,454)
As at March 31, 2024	1,412,133	5,438	2,428	1,419,999
Accumulated depletion, depreciation and amortization				
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
Depletion, depreciation and amortization	40,927	-	174	41,101
As at March 31, 2024	257,861	-	1,263	259,124
Net book value				
As at December 31, 2023	1,191,545	5,613	811	1,197,969
As at March 31, 2024	1,154,272	5,438	1,165	1,160,875

As at March 31, 2024, the calculation of depletion includes estimated forecasted future development costs relating to the development of proved and probable oil and gas reserves of \$1,212.7 million (December 31, 2023 - \$1,246.0 million). The Company capitalized \$2.6 million of general and administrative costs for the period ended March 31, 2024 (December 31, 2023 - \$8.6 million) and capitalized \$0.4 million of share-based compensation expense for the period ended March 31, 2024 (December 31, 2023 - \$1.1 million).

At March 31, 2024 and December 31, 2023, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

Assets held for sale

On March 28, 2024, the Company entered into an agreement to dispose of its non-core Deer Mountain assets in North Alberta for gross proceeds of \$27.0 million. Accordingly, the assets and decommissioning liabilities have been reclassified as held for sale as at March 31, 2024.

4. RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities and vehicles. See note 5 for additional information regarding the Company's leases.

Cost (\$000s)	Offices	Vehicles	Total
As at December 31, 2022	3,644	1,595	5,239
Additions	1,573	244	1,817
Acquired	3,308	1,156	4,464
As at December 31, 2023	8,525	2,995	11,520
Additions	7,245	4,089	11,334
As at March 31, 2024	15,770	7,084	22,854
Accumulated depreciation	Offices	Vehicles	Total
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
Depreciation	591	362	953
As at March 31, 2024	4,071	1,849	5,920
Net book value			
As at December 31, 2023	5,045	1,508	6,553
As at March 31, 2024	11,699	5,235	16,934

5. LEASES

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

(\$000s)	March 31, 2024	December 31, 2023
Balance, beginning of period	5,767	3,163
Acquired	-	4,464
Additions	11,334	1,817
Lease payment	(1,460)	(4,745)
Interest expense	349	1,068
Carrying value, end of period	15,990	5,767
Current	3,530	5,032
Long-term	12,460	735

As at March 31, 2024, the estimated undiscounted cash flows required to settle the Company's lease liability was \$23.0 million (December 31, 2023 - \$12.2 million).

6. 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 \$433.9 million (December 31, 2023 - \$434.7 million) which has been inflated at 2.0% (December 31, 2023 - 2.0%) and discounted using the credit adjusted risk-free rate of 14.5% (December 31, 2023 - 14.5%) with an estimated timeline to abandoned between 1 and 48 years.

(\$000s)	March 31, 2024	December 31, 2023
Balance, beginning of period	100,655	52,626
Acquired	-	43,706
Obligations incurred (note 3)	14	48
Change in estimates (note 3)	(3,468)	1,228
Liabilities associated with assets held for sale	(1,157)	-
ASCP settlements	-	(226)
Cash settlements	(4,521)	(10,486)
Accretion	3,486	13,759
Balance, end of period	95,009	100,655
Current	6,862	11,382
Long-term	88,147	89,273

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.

7. SENIOR TERM LOAN

As at March 31, 2024, the Company had \$380.0 million outstanding on its Senior Term Loan with scheduled principal repayment dates as follows: April 30, 2024 of \$25.4 million, 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 with the balance repayable 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. The Company exercised a deferral on April 30, 2024 in the amount of \$25.4 million. The aggregate amount of the optional principal deferred will become due and payable upon maturity.

Principal (\$000s)	March 31, 2024	December 31, 2023
Balance, beginning of period	456,023	245,479
Additions	-	375,000
Repayments	(76,085)	(164,456)
Balance, end of period	379,938	456,023
Debt issue costs and discount		
Balance, beginning of period	(4,870)	(4,636)
Additions, original issue discount	-	(9,375)
Additions, debt issue costs	-	(4,222)
Acceleration on extinguishment	-	8,265
Amortization	674	5,098
Balance, end of period	(4,196)	(4,870)
Carrying value	375,742	451,153
Current	134,295	219,957
Long-term	241,447	231,196

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. On February 21, 2024, 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. As at March 31, 2024, 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	March 31, 2024
PDP Asset Coverage Ratio Minimum ⁽¹⁾	1.75	2.71
Current Ratio Minimum ⁽²⁾	0.85	1.07
First Lien Net Leverage Ratio Maximum ⁽³⁾	1.75	0.96

(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 12).

Unsecured letter of credit facility

The Company has a \$10.0 million unsecured demand letter of credit facility (the "LC Facility") with a Canadian bank. Saturn's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. At March 31, 2024, \$7.4 million was drawn under the LC Facility (December 31, 2023 - \$8.6 million). The PSG is subject to annual renewal with the next scheduled renewal date of February 28, 2025.

8. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. As at March 31, 2024 there are 161,205,460 common shares outstanding.

Issued and outstanding

(000s)	March 31, 2024		December 31, 2023	
	Shares	Amount	Shares	Amount
Balance, beginning of period	139,313	292,388	59,892	122,017
Common shares issued for cash proceeds	22,223	50,002	59,242	125,001
Common shares issued as consideration	-	-	19,406	49,486
Convertible note conversion	-	-	679	1,358
Treasury shares	(339)	(901)	-	-
Cash share issue costs, net of tax recovery	-	(1,930)	-	(5,632)
Stock option exercise	-	-	86	123
Restricted share unit exercise	9	-	8	35
Balance, end of period	161,206	339,559	139,313	292,388

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)	March 31, 2024		December 31, 2023	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of period	6,871	4.00	36,520	3.35
Expired	-	-	(29,649)	3.20
Balance, end of period	6,871	4.00	6,871	4.00

As at March 31, 2024, 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)	Broker options	March 31, 2024 Weighted average exercise price	Broker options	December 31, 2023 Weighted average exercise price
Balance, beginning of period	399	2.71	2,532	2.71
Expired	(399)	2.71	(2,133)	2.67
Balance, end of period	-	-	399	2.71

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)	Stock options	March 31, 2024 Weighted average exercise price	Stock options	December 31, 2023 Weighted average exercise price
Balance, beginning of period	1,048	2.52	1,687	2.52
Exercised	-	-	(280)	0.19
Expired	-	-	(175)	3.74
Forfeited	-	-	(184)	2.74
Balance, end of period	1,048	2.52	1,048	2.52

As at March 31, 2024, the following stock options were outstanding and exercisable:

(000s, except per option price and life remaining)	Stock options outstanding			Stock options exercisable		
	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	1.3	125	2.00	1.3
2.01 - 2.40	609	2.40	2.0	514	2.40	2.0
2.41 - 3.00	314	2.96	1.3	269	2.97	1.1
	1,048	2.52	1.7	908	2.51	1.6

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)	March 31, 2024	December 31, 2023
	RSUs	RSUs
Balance, beginning of period	2,282	45
Issued	-	2,548
Exercised	(48)	(15)
Forfeited	(22)	(296)
Balance, end of period	2,212	2,282
Weighted average life remaining (years)	1.1	1.3

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)	March 31, 2024	December 31, 2023
	PSUs	PSUs
Balance, beginning of period	667	-
Issued	-	667
Balance, end of period	667	667
Weighted average life remaining (years)	0.3	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:

(000s, except per performance warrant price)	Performance warrants	March 31, 2024 Weighted average exercise price	Performance warrants	December 31, 2023 Weighted average exercise price
Balance, beginning of period	7,000	2.50	-	-
Issued	-	-	7,000	2.50
Balance, end of period	7,000	2.50	7,000	2.50

As at March 31, 2024, the following performance warrants were outstanding:

(000s, except per performance warrant price, years and VWAP) Exercise Price	Performance warrants outstanding			Performance warrants exercisable		
	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	5.8	-	-	-
2.50	2,333	6.00	5.8	-	-	-
2.50	2,334	8.00	5.8	-	-	-
	7,000		5.8	-	-	-

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 (loss) 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:

(000s, except per share amounts)	Three months ended March 31,	
	2024	2023
Weighted average shares outstanding		
Basic	148,558	86,995
Diluted	151,457	87,217
Per share income (loss)		
Basic	(0.42)	2.52
Diluted	(0.42)	2.51

9. REVENUE

(\$000s)	Three months ended March 31,	
	2024	2023
Crude oil	153,100	123,857
NGLs	8,712	4,088
Natural gas	6,407	3,462
Petroleum and natural gas sales	168,219	131,407
Processing income	3,469	1,961
	171,688	133,368

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 March 31, 2024 is \$60.1 million (December 31, 2023 - \$53.7 million) of accrued petroleum and natural gas sales related to March 31, 2024 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.

10. FINANCING

(\$000s)	Three months ended March 31,	
	2024	2023
Interest expense	20,405	15,928
Interest income	(430)	(523)
Amortization of original issue discount and debt issue costs	674	1,121
Accretion, debt instruments	13	37
Accretion, leases (note 5)	349	229
Accretion, decommissioning obligations (note 6)	3,486	2,608
Financing expenses	24,497	19,400

11. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended March 31,	
	2024	2023
Change in non-cash working capital:		
Accounts receivable	(3,083)	(39,960)
Deposits and prepaid expenses	(477)	(16,263)
Accounts payable	(5,601)	49,241
Non-cash working capital deficit acquired	-	(4,243)
	(9,161)	(11,225)
Related to:		
Operating activities	6,565	(3,653)
Financing activities	-	2,485
Investing activities	(15,726)	(10,057)
Total change in non-cash working capital	(9,161)	(11,225)

12. 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 March 31, 2024.

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 7) 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:

(\$000s)	Three months ended March 31,	
	2024	2023
Cash flow from operating activities	70,222	46,794
Change in non-cash working capital	(6,565)	3,653
Decommissioning expenditures	4,521	259
Transaction costs	-	3,748
Net interest ⁽¹⁾	19,975	15,406
Adjusted EBITDA	88,153	69,860
Net interest ⁽¹⁾	(19,975)	(15,406)
Adjusted funds flow	68,178	54,454
Capital expenditures ⁽²⁾	(33,966)	(24,283)
Free funds flow	34,212	30,171

(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)	March 31, 2024	December 31, 2023
Total common shares outstanding (000s)	161,206	139,313
Share price ⁽¹⁾	2.54	2.20
Total market capitalization	409,463	306,489
Adjusted working capital ⁽²⁾	9,572	8,240
Senior Term Loan	375,742	451,153
Convertible notes	1,103	1,090
Net debt	386,417	460,483
Current quarter adjusted funds flow	68,178	80,247
Annualized factor	4	4
Annualized quarterly adjusted funds flow	272,712	320,988
Net debt to annualized quarterly adjusted funds flow	1.4x	1.4x

(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.

13. 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 \$91.2 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 March 31, 2024:

Period	WTI Collars		WTI Swaps				WTI/MSW Differential			
	Volume bbls/d	Price ⁽¹⁾ US/bbl	Volume bbls/d	Price ⁽¹⁾ US/bbl	Volume bbls/d	Price ⁽¹⁾ CA/bbl	Volume bbls/d	Price ⁽¹⁾ US/bbl	Volume bbls/d	Price ⁽¹⁾ CA/bbl
Q2 2024	2,044	50.61-56.46	3,332	65.01	7,268	101.46	1,000	(3.75)	11,020	(6.25)
Q3 2024	1,992	50.63-56.49	3,173	64.67	6,557	98.10	4,324	(4.48)	7,142	(6.25)
Q4 2024	1,923	50.56-56.32	3,054	64.50	6,020	97.44	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	5,226	91.93	-	-	-	-
Q3 2025	1,729	65.00-68.10	2,753	69.05	4,923	89.10	-	-	-	-
Q4 2025	1,684	65.00-68.10	2,637	68.99	4,674	89.05	-	-	-	-
Q1 2026	1,080	65.00-68.10	3,077	67.21	4,481	85.46	-	-	-	-
Q2 2026	-	-	4,028	67.30	4,320	85.47	-	-	-	-
Q3 2026	-	-	-	-	8,048	83.08	-	-	-	-
Q4 2026	-	-	-	-	7,733	83.06	-	-	-	-
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 March 31, 2024:

(\$000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	1,146	(1,146)	-
Long term asset	3,538	(3,538)	-
Current liability	(74,803)	1,146	(73,657)
Long term liability	(55,333)	3,538	(51,795)
Net liability position	(125,452)	-	(125,452)

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 March 31, 2024:

(\$000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	136,843	243,095	-	-	379,938
Interest payments ⁽¹⁾	57,377	31,745	-	-	89,122
Convertible notes	-	1,204	-	-	1,204
Lease liabilities ⁽²⁾	5,603	8,784	5,949	2,646	22,982
Gas processing contracts	3,416	3,389	1,945	5,500	14,250
Accounts payable	116,532	-	-	-	116,532
	319,771	288,217	7,894	8,146	624,028

(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.

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 \$6.4 million change to net income (loss) before tax (December 31, 2023 – \$3.6 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 \$1.1 million during the period ended March 31, 2024 (December 31, 2023 – \$1.2 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)	March 31, 2024	December 31, 2023
Net debt	386,417	460,483
Shareholders' equity	595,736	608,662
Total capitalization	982,153	1,069,145

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.

14. COMMITMENTS

The Company has the following contractual obligations and commitments as at March 31, 2024:

(\$000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan ⁽¹⁾	136,843	243,095	-	-	379,938
Interest payments ⁽²⁾	57,377	31,745	-	-	89,122
Convertible notes	-	1,204	-	-	1,204
Lease liabilities ⁽³⁾	5,603	8,784	5,949	2,646	22,982
Gas processing contracts	3,416	3,389	1,945	5,500	14,250
	203,239	288,217	7,894	8,146	507,496

(1) 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 repayments deferrals within fiscal year 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.

15. SUBSEQUENT EVENTS

South Saskatchewan Acquisition and Refinancing

On May 6, 2024, the Company entered into an agreement to acquire two oil-weighted asset packages in Southern Saskatchewan for total net cash consideration of approximately \$525.0 million with an expected close date of June 14, 2024. The acquisition will be funded through a US\$625.0 million debt commitment, which will replace the Company's existing Senior Term Loan, as well as a bought-deal subscription receipt financing expected to close into escrow on May 15, 2024 for aggregate gross proceeds of \$100.0 million, subject to an over-allotment option up to \$115.0 million. Saturn has also entered into a banking agreement, pursuant to which the Canadian chartered bank has committed to arrange a \$150.0 million reserve-based loan providing additional liquidity.