Management's Discussion and Analysis

SATURN OIL & GAS INC.

For the three and nine months ended September 30, 2020

(in Canadian Dollars)

SATURN AT-A-GLANCE

Saturn Oil & Gas Inc. (TSX.V: SOIL) (FSE: SMK) is a public energy Company focused on the acquisition and development of undervalued, low-risk assets. Saturn is driven to build a strong portfolio of cash flowing assets with strategic land positions. De-risked assets and calculated execution will allow Saturn to achieve growth in reserves and production through retained earnings. Saturn's portfolio will become its key to growth and provide long-term stability to shareholders.

$2.1 MM
Q3 2020 Revenue

$34.17/bbl
Q3 2020 Operating Netback*

$1.7 MM
Q3 2020 Adjusted EBITDAX*

$5.7 MM
Nine Months 2020 Revenue

$34.50/bbl
Nine Months 2020 Operating Netback*

$4.9 MM
Nine Months 2020 Adjusted EBITDAX*

* See "Non-IFRS Measures"

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Saturn Oil & Gas Inc. (the "Company" or "Saturn") has been prepared by management in accordance with the requirements of National Instrument of 51-102 as of September 30, 2020, and should be read in conjunction with the unaudited interim financial statements for the three and nine months ended September 30, 2020 and 2019 and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The following should also be read in conjunction with the audited annual financial statements for the year ended December 31, 2019 and related notes which have been prepared in accordance with IFRS. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102 Continuous Disclosure Obligations. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.saturnoil.com.

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

Saturn's website, www.saturnoil.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on Saturn's website and on the SEDAR website at www.sedar.com.

NATURE AND CONTINUANCE OF OPERATIONS

In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 virus. The impacts on global commerce have been far reaching. To date, there have been significant wide-spread stock market declines and the movement of people and goods has become restricted, affecting supply, demand and pricing for many products. Commodity prices have declined since December 31, 2019 in the wake of the COVID-19 pandemic. The Company's ability to fund the current level of operating costs in the current commodity price environment may be affected and the Company may be required to adjust operating levels or obtain additional financing, which may be restricted. During Q2 2020, in order to minimize the loss from operations due to low crude oil price, the Company greatly curtailed production. This production was restored during Q3 2020. (see note 2 of the unaudited interim financial statements for the three and nine months ended September 30, 2020 and 2019.)

OVERVIEW OF THE BUSINESS

Saturn Oil & Gas Inc. was incorporated under the laws of British Columbia on August 16, 2001 and continued into the province of Saskatchewan on December 17, 2018. The Company is in the business of acquiring, exploring, evaluating and developing economically viable energy and resource deposits in Canada. The Company's current focus is to advance the exploration and development of its oil and gas properties in west-central Saskatchewan. In January 2017, the Company changed its strategic direction from a mining / mineral exploration company to an entity focused on the acquisition and development of oil and gas assets and the subsequent successful production of hydrocarbon from primarily crude oil weighted properties in the Western Canadian Sedimentary Basin.

The Company's corporate headquarters are at Suite 1000 – 207 9 Ave SW, Calgary, Alberta, T2P 1K3. Effective May 3, 2004, the common shares of the Company were listed on the TSX Venture Exchange and trade under the symbol "SOIL".

Management is actively working to grow the Company's production and revenue through a combination of drilling and accretive acquisitions. In addition, management closely monitors commodity prices of oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

SELECT FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Financial				
Oil revenue	**2,127,294**	3,798,438	**5,718,371**	13,840,095
Net income (loss)	**(795,535)**	1,186,963)	**(3,160,510)**	2,825,739
Per share – basic & diluted	**(0.00)**	(0.00)	**(0.01)**	0.01
Production Volumes				
Crude oil (bbls/d)	**499**	686	**440**	761
Natural gas (Mcf/d)	**-**	-	**-**	-
Natural gas liquids (bbls/d)	**-**	-	**-**	-
Total (bbls/d)	**499**	686	**440**	761
% liquids	**100%**	100%	**100%**	100%
Average Realized Prices				
Crude oil ($/bbl)	**46.31**	64.55	**47.43**	65.98
Natural gas ($/Mcf)	**-**	-	**-**	-
Natural gas liquids ($/bbl)	**-**	-	**-**	-
Total ($/bbl)	**46.31**	64.55	**47.73**	65.98
Operating Netback[1] ($/bbl)				
Realized price	**46.31**	64.55	**47.43**	65.98
Royalties	**(0.92)**	(2.93)	**(1.40)**	(3.05
Operating costs	**(11.22)**	(10.19)	**(11.53)**	(10.84)
Operating netback[1]	**34.17**	51.44	**34.50**	**52.09**
Realized gain (loss) on derivative instruments	**8.71**	(0.01)	**13.85**	(1.10)
Operating netback, after realized gain (loss) on derivative instruments	**42.88**	51.43	**48.35**	50.99

1) See "Non-IFRS Measures"

2020 YEAR-TO-DATE HIGHLIGHTS:

- Saturn's strategy continues to be focused on the acquisition and development of high-quality Viking light oil assets.
- Production averaged 440 bbls/day during the nine months ended September 30, 2020, a 34% decrease compared to the corresponding nine month period in 2019. The Company shut in wells during fiscal Q2 2020 due to the world economic conditions related to the impact of COVID-19. This shut in production was restored during Q3 2020.
- Adjusted EBITDAX for the nine months ended September 30, 2020 was $4.9 million, a $4.7 million decrease from the same period in 2019 (see "Non-IFRS Measures"), primarily due to the decrease in production and realized oil price per barrel (see "Non-IFRS Measures").
- Net loss for the period was $3.2 million, compared to net income of $2.3 million in the same period of 2019. The $5.4 million decrease in net income was primarily the result of lower production from not drilling any new wells in 2020 as well as the significant decrease in WTI prices during 2020 compared to 2019.
- Realized gain on derivative instruments was $1.7 million for the period, a $1.7 million increase from the same period in 2019.
- Unrealized gain on derivative instruments was $0.57 million for the nine months ending September 30, 2020.
- Saturn's operating netback (see "Non-IFRS Measures") for the nine months ended September 30, 2020 was $34.50/bbl, a decrease of $17.59/bbl from the same period in 2019. The period-over-period decrease was primarily due to 28% decrease in the realized oil price from the prior period and lower oil production in 2020 as compared to the same period in the prior year.

- At September 30, 2020, Saturn had US$19.74 million of borrowings (CAD$26.91 million converted at an exchange rate of $1.00 USD to $1.3339 CAD on September 30, 2020) drawn against its Revolving Notes.

- **THIRD QUARTER 2020 HIGHLIGHTS:**

- Production averaged 499 bbls/day for the three months ended September 30, 2020, a decrease of 27% from the corresponding period in 2019. Production for Q3 2020 was 266% higher than Q2 2020 as wells shut in during Q2 2020 due to the low commodity prices were brought back on production during Q3 2020.
- Adjusted EBITDAX was $1.7 million, a $0.91 million decrease from the same period in 2019 (see "Non-IFRS Measures"), primarily due to the decrease in both production and the realized oil price per barrel (see "Non-IFRS Measures").
- Net loss for the three-month period ending September 30, 2020 was $0.79 million, compared to a net loss of $0.55 million in the same period of 2019. The increase in net loss during Q3 2020 was primarily a result of lower production from not bringing on any new wells in the period as well as the significant decrease in realized oil price.
- Realized gain on derivative instruments was $0.4 million for the three-month period ending September 30, 2020, compared to a realized loss of $471 in the same period of 2019.
- Unrealized loss on derivative instruments was $0.4 million for the three-month period ending September 30, 2020 due to the slight increase in WTI future prices from June 30, 2020.
- Saturn's operating netback (see "Non-IFRS Measures") for the three months ended September 30, 2020 was $34.17/bbl, a decrease of $33.6% from Q2 2019. The period-over-period decrease was primarily due to a decline of $18.24/bbl in the realized oil price and a 27% decrease in production volumes.

OUTLOOK

In March 2020, the COVID-19 pandemic coupled with a price war between Saudi Arabia and Russia resulted in a significant downfall in global oil prices during 2020. Saturn intends to remain cautious in light of the corresponding pricing volatility and uncertainties around worldwide energy consumption and associated supply levels, and as such, has continued to suspend its capital program in the interests of preserving future development economics until greater stability returns to the commodity pricing environment. The Company remains committed to reacting swiftly to further macro level changes and prudently managing through a challenging operating environment.

In addition, Saturn is continually reviewing its 2020 budget, including exploring all avenues to reduce debt, general and administrative and operating expenses, along with the previously implemented 20% reduction of all management salaries.

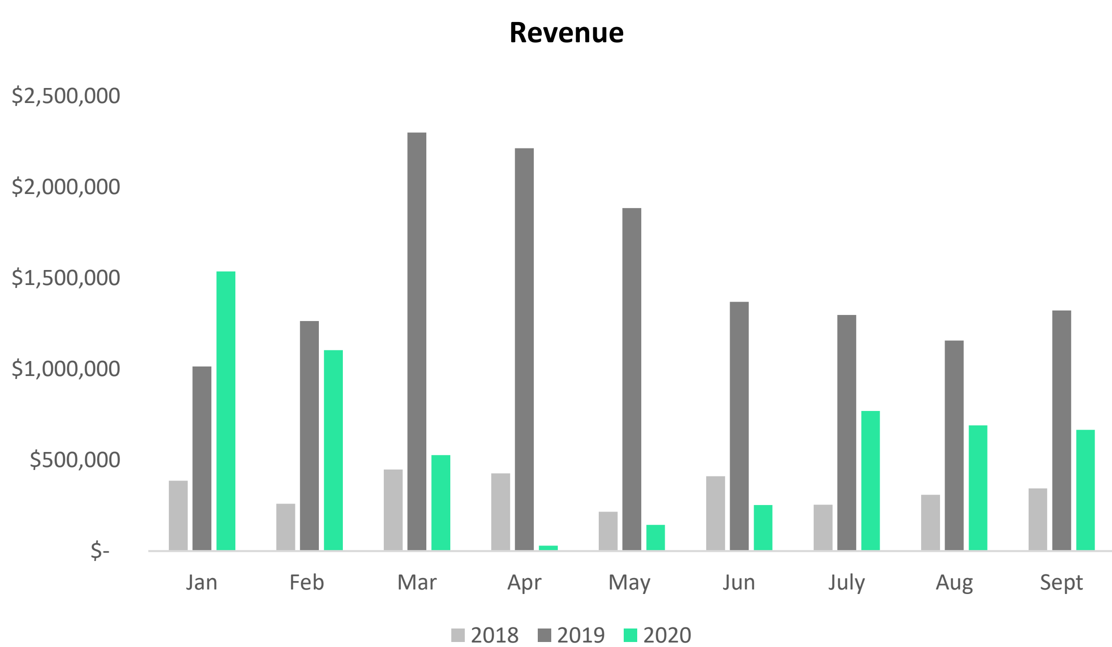
RESULTS OF OPERATIONS

Revenue

($, except per unit amounts)	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Revenue				
Crude oil	**2,127,294**	3,798,438	**5,718,371**	13,840,095
Natural gas	**-**	-	**-**	-
Natural gas liquids	**-**	-	**-**	-
Average Realized Prices				
Crude oil ($/bbl)	**46.31**	64.55	**47.43**	65.98
Natural gas ($/Mcf)	**-**	-	**-**	-
Natural gas liquids ($/bbl)	**-**	-	**-**	-
Total ($/bbl)	**46.31**	64.55	**47.43**	65.98
Operating Netback[1] ($/bbl)				
Realized price	**46.31**	64.55	**47.43**	65.98
Royalties	**(0.92)**	(2.93)	**(1.40)**	(3.05)
Operating costs	**(11.22)**	(10.19)	**(11.53**	(10.84)
Operating netback[1]	**34.17**	51.44	**34.50**	**52.09**
Realized gain (loss) on derivative instruments	**8.71**	(0.01)	**13.85**	(1.10)
Operating netback, after realized gain (loss) on derivative instruments	**42.88**	51.43	**48.35**	50.99

1) See "Non-IFRS Measures"

Saturn's revenue decreased $1.67 million (44%) and $8.12 million (59%) for the three and nine months ended September 30, 2020 respectively, from the corresponding periods in 2019. The decrease is attributable to lower production during 2020 as compared to 2019 and to a lower realized price per barrel received as a result of the COVID-19 pandemic and the severe decline in worldwide oil prices.



Royalties

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Royalties	**42,221**	172,151	**168,659**	639,866
Per bbl	**0.92**	2.93	**1.40**	3.05
Percentage of revenue	**1.98%**	4.53%	**2.95%**	4.62%

Saturn pays royalties to the Saskatchewan government and landowners in accordance with the established royalty regime. During the same periods in 2019, a significant portion of the royalties paid to landowners were freehold, which are paid at a much higher percentage than Crown royalties paid to the Saskatchewan government. The decrease in royalties paid per barrel can be attributed to the decrease in oil prices in addition to positive adjustments received related to trucking charges in the royalty calculation.

Operating Expenses

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Operating expenses	**515,251**	599,375	**1,390,098**	2,273,502
Per bbl	**11.22**	10.18	**11.53**	10.84

Operating expenses for the three months ended September 30, 2020 were 14% lower than for the three months ended September 30, 2019. For the nine months ended September 30, 2020, operating costs were 39% lower that the corresponding period in 2019. The decreases in operating expenses is the result of lower production in during 2020 compared to 2019.

General and Administrative Expenses

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Operating expenses	**236,042**	414,352	**795,571**	1,264,379
Per bbl	**5.13**	6.56	**6.59**	6.03

General and administrative expenses for the three months ended September 30, 2020 were 43% lower than for the three months ended September 30, 2019. For the nine months ended September 30, 2020, operating costs were 37% lower that the corresponding period in 2019. The decreases for the periods in 2020 are the result of reductions in salaries and other cost controls implemented in response to the lower commodity pricing environment in 2020.

Commodity Price and Risk Management

Saturn enters into derivative risk management contracts to manage exposure to commodity price fluctuations and to protect and provide certainty on a portion of the Company's cash flows. Saturn considers these derivative contracts to be an effective means to manage cash flows from operations.

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Realized gain (loss) on derivative	**399,980**	(471)	**1,669,846**	(231,580)
Unrealized gain (loss) on derivative instruments	**(456,419)**	-	**576,021**	-
Total gain (loss) on derivative instruments	**(56,439)**	(471)	**2,245,867**	(231,580)

The following table summarizes the commodity derivative contracts at September 30, 2020.

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/bbl
Crude Oil Collar			
October 1, 2020 – January 31, 2021	CAD$ WTI	400	$65.40/$75.40

Operating Netback[1]

(1) See "Non-IFRS Measures"	Three months ended September 30		Nine months ended September 30	
($ per bbl)	**2020**	**2019**	**2020**	**2019**
Revenue	**46.31**	64.55	**47.43**	65.98
Royalties	**(0.92)**	(2.93)	**(1.40)**	(3.05)
Operating costs	**(11.22)**	(10.19)	**(11.53)**	(10.84)
Operating netback[1]	**34.17**	51.44	**34.50**	52.09
Realized gain (loss) on derivative instruments	**8.71**	(0.01)	**13.85**	(1.10)
Operating netback, after realized gain (loss) on derivative instruments	**42.88**	51.43	**48.35**	50.99

Saturn's operating netbacks before realized hedging gain (loss) decreased by $17.27/bbl and $17.59/bbl, respectively, for the three and nine months ended September 30, 2020, compared to the corresponding periods in 2019. The decrease in operating netbacks during 2020 due to lower production and lower realized oil price during the referenced periods.

Share-based Compensation

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 45,875,000 common shares of the Company. Under the plan, the exercise price of each option shall not be less than the discounted market price of the Company's common shares on the grant date. The options can be granted with a maximum term of five years. The options granted vest as to either 25% on the date of grant and 12.5% at the end of every quarter after the grant date or 10% on the date of grant and 7.5% at the end of every quarter after the grant date. Vesting is determined by the Board of Directors.

During the second quarter of 2020, Saturn granted 4,375,000 (2019 – 500,000) options to employees of the Company.

During the period ended September 30, 2020, Saturn expensed $484,340 in share-based compensation (2019 - $450,674).

Revolving Notes

	September 30, 2020	September 30, 2019
Prudential Capital Energy Partners, L.P.	**$ 23,419,205**	$ 21,859,310
Prudential Capital Energy Partners Management Fund	**2,921,931**	2,727,308
Loan financing costs	**(4,192,791)**	(6,038,649)
	$ 22,148,345	$ 18,547,969

On September 14, 2018, the Company entered into a US$20 million secured reserve-based revolving note facility ("Revolving Facility") from Prudential Capital Energy Partners, L.P. and Prudential Capital Energy Partners Management Fund. As at September 30, 2020, the Company was drawn US$19.75 million (CDN$26.91 million equivalent using the September 30, 2020 exchange rate) under the Revolving Facility. Commencing October 12, 2018, on or before the tenth business day of each calendar month, the Company shall repay the facility by an amount equal to (i) 100% of net proceeds of production for such month less, without duplication, G&A costs for such month in an amount such that the total for such month and such fiscal year shall not exceed the G&A costs cap, plus (ii) all proceeds from any sales and other dispositions of oil and gas properties. Interest is paid monthly at the U.S. prime rate plus 10.75% per annum.

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

Company was in breach of the asset coverage ratio at the end of the period. In May 2020, the holders of the revolving notes delivered to the Company a Borrowing Base Adjustment Letter as the Company is in a Borrowing Base Deficiency, thus reducing the Borrowing Base from US$20.0 million to US$13.5 million. Notwithstanding the Borrowing Base Shortfall, the holders have waived the requirements in Section 3.4(a) of the Note Agreement to repay the Borrowing Base Shortfall within 30 days or in five equal monthly payments beginning 30 days after the holders' notice of the Borrowing Base Shortfall.

The holders have waived the payment of the additional interest of 2.00% per annum otherwise due under Section 3.4(b) of the Note Agreement as a result of the Borrowing Base Shortfall until September 1, 2020. For certainty, any additional interest payable from time-to-time under Section 3.4(b) as a result of any Borrowing Base Deficiency (other than the Borrowing Base Shortfall) and any Default Interest are still payable and the above waiver does not apply to same.

The borrowing base is subject to a quarterly redetermination, with the next redetermination scheduled before December 2020.

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

In 2018, the Company issued 30,505,122 warrants related to the revolving facility. These were determined to be derivatives and have been recognized as a liability as the warrant holder has the option to exercise without providing cash and it receives the number of shares based on the Company's share price at the exercise date. The warrants have been recognized as part of loan financing costs and a corresponding amount has been included in warrant liability and was determined have a fair value of $5,147,334 at inception using the Black-Scholes model and the assumptions noted below. During the nine months ended September 30, 2020, warrant liability was reduced by $705,319 (December 31, 2019 - $1,432,049) and a corresponding gain recognized in profit or loss. The warrants were valued using a Black-Scholes model based on the following assumptions at inception and year-end: exercise prices of $0.24, share price of $0.25 at inception and $0.09 at period-end (December 31, 2019 – $0.14), terms of maturity date of September 15, 2022, volatility of 98%, dividend yield of nil and risk-free interest rates of 1.88% at inception and 2.23% at period-end. During the nine-month period ended September 30, 2020, $1,629,447 (December 31, 2019 - $1,663,220) in deferred loan financing costs related to the Revolving Facility have been amortized.

Covenants

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

- total leverage ratio, pursuant to which the ratio of adjusted indebtedness to EBITDAX for the four quarters most recently ended (at December 31, 2018 the previous two quarters multiplied by two) cannot exceed 3.5 to 1.0;

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

- interest coverage, pursuant to which the ratio of EBITDAX for the four quarters most recently ended (at December 31, the previous two quarters multiplied by two) to financing charges to be less than 2.25 to 1.00; and
- asset coverage, pursuant to the adjusted PV10 to indebtedness to be less than 1.35 to 1.00.

PV 10 is defined as at any time, the discounted future net revenue from Proved Oil and Gas Properties at such time, as reflected in the most recent determination thereof certified by a Responsible Officer and delivered by the Company as applicable, and calculated using Average Strip Pricing and adjusted to reflect (a) Specified Assumptions and (b) the full effect of Hedging Transactions of the Company and its Subsidiaries; provided that not less than 70% of such discounted future net revenue shall be from PDP Reserves. The Company was in breach of the asset coverage ratio as at September 30, 2020.

Finance Costs

	Three months ended September 30		Nine months ended September 30	
($, except per unit amounts)	**2020**	**2019**	**2020**	**2019**
Interest expenses	**1,059,088**	1,006,326	**3,193,240**	2,700,028
Loan structuring costs	**612,039**	93,970	**1,629,447**	226,877
Total finance cost	**1,671,127**	1,026,627	**4,822,687**	2,926,905
Per bbl	**36.38**	18.70	**40.00**	13.95

Interest expense is primarily comprised of the interest incurred on the Company's revolving notes and convertible notes. Interest expense increased $0.05 million and $0.49 million for the three and nine months ended September 30, 2020 compared to the same periods in 2019. The increases can be attributed to increased average borrowings as well as fluctuations in the Canadian and U.S. dollar exchange rates. Loan structuring costs relate to the expensed portion of deferred loan structuring fees paid on the Revolving Notes.

Gain (Loss) on Foreign Exchange

	Three months ended September 30,		Nine months ended September 30,	
($)	**2020**	**2019**	**2020**	**2019**
Realized gain (loss) on foreign exchange	**(84,222)**	(310,864)	**(361,762)**	3,199,340
Unrealized gain (loss) on foreign exchange	**806,895**	(25,273)	**(336,717)**	(3,093,281)
Gain (loss) on foreign exchange	**722,673**	(336,137)	**(698,479)**	106,059

Foreign exchange gains (losses) incurred in the period related primarily to borrowings denominated in US dollars.

Related Party Transactions

During the period ended September 30, 2020, the Company incurred the following transactions with directors, officers and other key management personnel:

	Nine months ended September 30	
Compensation	**2020**	**2019**
Consulting and geological in exploration and evaluation assets	$ -	$ 222,123
Key management compensation	497,373	427,083
Legal fees	21,823	47,478
Rent expense recovery	(80,319)	-
Share based payments	426,219	342,596
Total	$ 865,096	$ 1,039,281

As at September 30, 2020, the Company owed $nil (2019 - $nil) to its directors, officers, other key management personnel of the Company, or companies controlled by officers of the Company.

NON–IFRS MEASURES

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

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

(b) **Net Debt -** Management closely monitors its capital structure with a goal of maintaining a strong balance sheet to fund the future growth of the Company. The Company monitors net debt as part of its capital structure. Net debt does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. The Company calculates net debt as the sum of the long-term debt and lease obligation, less working capital (or plus working capital deficiency). Management uses net debt as an alternative measure of outstanding debt and considers net debt an important measure to assist in assessing the liquidity of the Company. The following outlines the Company’s calculation of net debt:

		As at September 30
($)	**2020**	**2019**
Revolving notes	**22,148,345**	18,547,969
Warrant liability	**1,259,966**	2,462,128
Convertible notes	**1,999,052**	1,676,944
Promissory notes	**1,008,569**	-
Lease liabilities	**511,939**	-
Total debt	**26,927,871**	22,687,041
Working capital:		
Current assets	**1,979,195**	2,472,263
Less current liabilities	**6,256,105**	7,277,431
Working capital deficiency/(surplus)	**4,276,820**	4,805,168
Net debt	**31,204,691**	27,492,209

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

($)	Nine months ended September 30, 2020
Consolidated net loss	**(3,160,510)**
EBITDAX adjustments	**8,090,243**
Adjusted EBITDAX	**4,929,734**

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

Capital management

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

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or return capital to shareholders. As at September 30, 2020, the Company is not subject to externally imposed capital requirements.

Management reviews its approach to capital management on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended September 30, 2020.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at September

30, 2020, the Company had $342,522 (December 31, 2019 - $1,110,303) in cash and cash equivalents and $6,256,015 (December 31, 2019 - $9,817,813) in current liabilities. The Company is exposed to liquidity risk.

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

The following are the expected maturities of its financial liabilities as at September 30, 2020:

	<1 Year	1-2 Years	>2 Years
Accounts payable and accrued liabilities	$ 5,605,885	$ -	$ -
Promissory notes	429,383	369,703	638,866
Convertible notes	-	-	1,999,052
Revolving notes	-	-	22,148,345
Lease liabilities	220,747	137,148	374,791

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and amounts receivable. Saturn limits exposure to credit risk on liquid financial assets by maintaining its cash with high-credit quality financial institutions.

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated revolving notes. A 10% strengthening or weakening of the US dollar will contribute a $2.7 million increase or decrease to the Company's net loss before tax for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $2.4 million). The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Revolving Facility fluctuates with the interest rates posted by the lenders. The Company is exposed to interest rate risk related to borrowings are drawn under the Revolving Facility. A change in prime interest rates by 1% would have changed net loss by approximately $0.16 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $0.12 million) assuming all other variables remain constant.

Price risk

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

Saturn entered into a derivative instrument to manage its exposure to price risk caused by fluctuations in commodity prices, which have served to protect and provide certainty on a portion of the Company's cash flows.

The following lists the fair value of all derivative contracts by commodity type in place at the following balance sheet dates:

September 30, 2020	Crude Oil
Derivative instruments receivable – current	$ 380,502

December 31, 2019	Crude Oil
Derivative instruments payable – current	$ (195,519)

The follow table summarizes commodity derivative contracts as at September 30, 2020:

Remaining Term	Reference	Total Daily Volume (bbl)	Weighted Average Price/bbl
Crude Oil Collar			
October 1, 2020 – January 31, 2021	CAD$ WTI	400	$65.40/$75.40

The following shows the breakdown of realized and unrealized gains (losses) recognized on the derivative contracts for the three and nine month periods ended September 30, 2020 and 2019:

Three months ended September 30,	2020	2019
Realized gain (loss) on derivative instruments	399,980	(471)
Unrealized gain (loss) on derivative instruments	(456,419)	-
Total loss	(56,439)	(471)

Nine months ended September 30,	2020	2019
Realized gain (loss) on derivative instruments	1,669,846	(231,580)
Unrealized gain (loss) on derivative instruments	576,021	-
Total gain (loss)	2,245,867	(231,580)

The realized and unrealized gains on derivative contracts recognized for the nine months ended September 30, 2020 was due to a significant decrease in WTI futures prices at September 30, 2020 relative to the underlying prices of the derivative contracts when compared to December 31, 2019. The unrealized loss on derivatives recognized for the three months ended September 30, 2020 was due to a slight recovery in WTI futures prices at September 30, 2020 relative to the underlying prices of the derivative contracts when compared to June 30, 2020.

Saturn manages the above risks by:

- Maintaining strict environmental, safety and health practices;
- Attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;
- Operating properties in order to maximize opportunities; and
- Employing risk management instruments to minimize exposure to volatility of commodity prices.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”)

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

USE OF ESTIMATES

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

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

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

a) The recoverability of amounts receivable and due from related parties which is included in the statement of financial position;

b) The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the statement of financial position;

c) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and warrants;

d) Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material;

e) Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the risk-free discount rate used;

f) In the determination of fair value for promissory and convertible notes, the Company uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, Saturn seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry;

g) Derivative risk management contracts are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include Black-Scholes option valuation model and forward pricing and swap models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, volatilities of commodity prices and forward rate curves of the underlying commodity. Changes in any of these assumptions would impact fair value of the risk management contracts and as a result, future net income and other comprehensive income;

h) Contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events;

i) Amounts recorded for capitalized general and administrative cost that is related to directly attributed supporting functions and activity to post-license exploration and evaluation assets and to development and producing properties requires the use of estimates and judgments and is by its nature subject to measurement uncertainty; and

j) Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew by considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to Saturn's company-specific incremental borrowing rate. This rate represents the rate that Saturn would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Critical accounting judgments

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

k) Going concern of operations;

l) Determination of categories of financial assets and liabilities;

m) Petroleum and natural gas properties, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment; and

n) The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based partially on proved and probable reserves.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates property acquisition or disposition transactions and, in some cases, makes proposals to acquire or dispose of such properties. These proposals, which are usually subject to Board, regulatory and sometimes shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature, and generally the Company is only required to incur the obligation if it wishes to continue with the transaction. As of the date of this report, Saturn has several possible transactions that it is examining. Management is uncertain whether any of these proposals will ultimately be completed.

ADVISORY REGARDING OIL AND GAS INFORMATION

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

OTHER MD&A REQUIREMENTS

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

DIRECTORS AND OFFICERS

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

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

FORWARD-LOOKING INFORMATION

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

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

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

RECENT ACCOUNTING POLICIES

Please refer to the September 30, 2020 unaudited interim financial statements on www.sedar.com.

FINANCIAL INSTRUMENTS

Please refer to the September 30, 2020 unaudited interim financial statements on www.sedar.com.