SATURN OIL AND GAS INC.
MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is a review of the operational and financial results and outlook for Saturn Oil and Gas Inc. ("Saturn" or the "Company") for the three and nine months ended September 30, 2021 and 2020. This MD&A is dated and based on information available as at November 15, 2021 and should be read in conjunction with the unaudited condensed interim financial statements ("financial statements") and the notes thereto for the three and nine months ended September 30, 2021 and 2020 and the audited consolidated financial statements for the year ended December 31, 2020. Additional information relating to Saturn, including Saturn's Annual Information Form for the year ended December 31, 2020, is available on SEDAR at www.sedar.com and Saturn's website at www.saturnoil.com.

The financial statements have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting". The Company uses certain non-GAAP measures in this MD&A. For a discussion of those measures, including the method of calculation, please refer to the section titled "Non-GAAP Measures". Unless otherwise indicated, all references to dollar amounts are in Canadian currency.

DESCRIPTION OF THE BUSINESS

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

STRATEGIC ACQUISITION

On June 7, 2021, Saturn closed a transformational acquisition (the "Acquisition" or the "Oxbow Acquisition") of assets in the Oxbow area of Southeast Saskatchewan (the "Oxbow Asset"). The Company acquired approximately 6,400 boe/d at closing date with over 450 set sections of land, largely positioned across one of the most economic oil plays in North America. The Acquisition enhances Saturn's financial and operational strength through the addition of a high-quality and very low decline (12%) light oil asset base that is projected to generate robust free cash flow at current prices. The Oxbow Asset produces primarily from the Frobisher and Midale formations and feature a sizeable inventory of targets for workover, optimization and development drilling. The Acquisition closed for total cash consideration of $79.5 million, after interim adjustments, and was funded through proceeds from a new $87.0 million senior secured term loan, an upsized and oversubscribed brokered private placement and a non-brokered private placement (collectively the "Private Placements") which raised total gross proceeds of $32.2 million.

Q3 2021 HIGHLIGHTS

- Achieved third quarter average production of 6,970 boe/d in 2021 compared to 499 boe/d in the third quarter of 2020;
- Generated adjusted funds flow (see "Non-GAAP Measures") of $13.9 million and $16.3 million in the three and nine months ended September 30, 2021 compared to $1.0 million and $2.1 million in the comparable 2020 periods primarily due to a full quarter of operations from the Oxbow Asset;
- Achieved an operating netback (see "Non-GAAP Measures") for the three and nine months ended September 30, 2021 of $28.83 per boe and $29.55 per boe;
- Invested $4.5 million development capital in the third quarter drilling three 100% working interest Viking wells and participating in two (0.54 net) non-operated wells;
- Generated third quarter free funds flow (see "Non-GAAP Measures") of $9.5 million, excluding property acquisition expenditures of $2.6 million relating to the Oxbow Asset; and
- Exited the third quarter with $71.8 million net debt, realizing an annualized net debt to adjusted funds flow of 1.3x (see "Non-GAAP Measures").

FINANCIAL AND OPERATING HIGHLIGHTS

(CAD $000s, except per share amounts)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales	**48,497**	2,127	**62,408**	5,718
Cashflow from (used in) operating activities	**16,160**	836	**(14,318)**	(124)
per share - Basic	**0.03**	0.00	**(0.04)**	(0.00)
- Diluted	**0.03**	0.00	**(0.04)**	(0.00)
Adjusted funds flow [(1)]	**13,923**	981	**16,265**	2,113
per share - Basic	**0.03**	0.00	**0.04**	0.01
- Diluted	**0.03**	0.00	**0.04**	0.01
Net loss	**(23,307)**	(795)	**(54,433)**	(3,160)
per share - Basic	**(0.05)**	(0.00)	**(0.16)**	(0.01)
- Diluted	**(0.05)**	(0.00)	**(0.16)**	(0.01)
Acquisition	**2,660**	-	**79,480**	-
Capital expenditures	**4,445**	212	**4,647**	421
Total assets	**228,564**	44,360	**228,564**	44,360
Net debt[(1)], end of period	**71,761**	18,766	**71,761**	18,766
Shareholders' equity	**(20,039)**	8,000	**(20,039)**	8,000
Common shares outstanding	**502,907**	234,574	**502,907**	234,574
Weighted average, basic	**502,907**	234,574	**348,591**	234,574
Weighted average, diluted	**600,417**	234,574	**446,549**	234,574
OPERATING HIGHLIGHTS				
Average Production Volumes				
Crude oil (bbl/d)	**6,413**	499	**2,819**	442
NGLs (bbl/d)	**278**	-	**115**	-
Natural gas (mcf/d)	**1,673**	-	**700**	-
Total boe/d	**6,970**	499	**3,051**	442
% Oil and NGLs	**96%**	100%	**96%**	100%
Average realized prices				
Crude oil ($/bbl)	**78.38**	46.31	**77.78**	47.43
NGLs ($/bbl)	**35.46**	-	**35.12**	-
Natural gas ($/mcf)	**3.76**	-	**3.59**	-
Combined ($/boe)	**74.44**	46.31	**74.02**	47.43
Operating netbacks				
Petroleum and natural gas sales ($/boe)	**75.85**	46.31	**75.35**	47.43
Royalties ($/boe)	**(10.68)**	(0.91)	**(10.26)**	(1.40)
Operating expenses ($/boe)	**(27.81)**	(11.22)	**(26.90)**	(11.53)
Transportation expenses ($/boe)	**(0.55)**	-	**(0.81)**	-
Operating netbacks[(1)] ($/boe)	**36.81**	34.18	**37.38**	34.50
Realized gain (loss) on financial derivatives ($/boe)	**(7.98)**	8.71	**(7.83)**	13.85
Operating netbacks[(1)] after realized gain (loss) on financial derivatives ($/boe)	**28.83**	42.89	**29.55**	48.35

(1) Non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A

PRODUCTION

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Crude oil (bbl/d)	**6,413**	499	**2,819**	442
NGLs (bbl/d)	**278**	-	**115**	-
Natural gas (mcf/d)	**1,673**	-	**700**	-
Total boe/d	**6,970**	499	**3,051**	442

Total average production volumes increased to 6,970 boe/d in the third quarter of 2021 from 499 boe/d in the third quarter of 2020. Year to date, average production volumes increased to 3,051 boe/d from 442 boe/d for the same period in 2020. The increases reflect production from the newly acquired Oxbow Asset which averaged 6,749 boe/d during the third quarter of 2021. The core producing properties acquired are geologically concentrated within the Mississippian aged Midale and Frobisher oil formations of Southeast Saskatchewan.

Production from the Company's Viking assets located in West Central Saskatchewan (the "Viking Asset") produced approximately 221 bbl/d in the third quarter of 2021, down 56% from 499bbl/d from the third quarter of 2020 due to natural declines.

PETROLEUM AND NATURAL GAS SALES

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2021**	2020	**2021**	2020
Crude oil	**46,248**	2,127	**59,851**	5,718
Natural gas	**578**	-	**685**	-
NGLs	**906**	-	**1,107**	-
Petroleum and natural gas revenue	**47,732**	2,127	**61,643**	5,718
Processing and other income	**765**	-	**765**	-
Petroleum and natural gas sales	**48,497**	2,127	**62,408**	5,718

Petroleum and natural gas sales in the third quarter of 2021 were $48.5 million compared to $2.1 million in the third quarter of 2020. Year to date, Petroleum and natural gas sales were $62.4 million compared to $5.7 million for the same period in 2020. The increases primarily relate to additional volumes associated with the Oxbow Acquisition compounded by higher realized prices.

BENCHMARK AND REALIZED PRICES

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Average benchmark prices				
WTI (US$/bbl) (1)	**70.56**	40.93	**64.82**	38.32
Exchange rate (US$/$C)	**1.26**	1.33	**1.25**	1.35
WTI (C$/bbl)	**88.92**	54.50	**81.08**	51.52
MSW Par at Edmonton ($/bbl) (2)	**83.67**	49.54	**75.73**	43.57
Midale Par at Cromer ($/bbl)	**87.02**	56.30	**79.97**	48.94
LSB Par at Cromer ($/bbl) (3)	**84.93**	51.08	**77.03**	44.78
AECO natural gas ($/Mcf) (4)	**3.60**	2.24	**3.28**	2.09
Average realized prices				
Crude oil ($/bbl)	**78.38**	46.31	**77.78**	47.43
NGLs ($/bbl)	**35.46**	-	**35.12**	-
Natural gas ($/mcf)	**3.76**	-	**3.59**	-
Combined ($/boe)	**74.44**	46.31	**74.02**	47.43

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

For the three and nine months ended September 30, 2021, the Company realized a combined realized price for petroleum and natural gas of $74.44 per boe and $74.02 per boe versus $46.31 per boe and $47.43 per boe in the comparable 2020 periods.

The majority of the Company's revenue base is from the sale of crude oil which varies based on sales point and certain par prices. The Company's realized price for crude oil from the Oxbow Acquisition in Southeast Saskatchewan is primarily based on the LSB and Midale par prices at Cromer, while the Viking production in West Central Saskatchewan is primarily based on the MSW Par price at Edmonton. The Company's average realized oil price for the third quarter was $78.38 per bbl, a 69% increase from $46.31 per bbl in the third quarter of 2021. The Company's average realized price oil price for the nine months ended September 30, 2021 was $77.78 per bbl, a 64% increase from $47.43 per bbl in the nine months ended September 30, 2020.

RISK MANAGEMENT AND COMMODITY FINANCIAL INSTRUMENTS

	Three months ended September 30,		Nine months ended September 30,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Realized gain (loss) on financial derivatives	**(5,117)**	400	**(6,519)**	1,670
Unrealized gain (loss) on financial derivatives	**(20,908)**	(456)	**(66,806)**	576
Net gain (loss) on financial derivatives	**(26,025)**	(56)	**(73,325)**	2,246
Realized gain (loss) on financial derivatives $ per boe	**(7.98)**	8.71	**(7.83)**	13.85

The Company uses commodity risk management contracts which are classified as financial derivatives to manage exposure to commodity price volatility. Details of open commodity contracts as at September 30, 2021 are described in "Market Risk" section below.

For the three and nine months ended September 30, 2021, the Company realized a loss on its financial commodity contracts of $5.1 million and $6.5 million, respectively. Saturn has not designated any financial commodity contracts as hedges, and as a result the unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. At September 30, 2021, the outstanding financial commodity contracts had a net fair value of liability of $66.8 million.

ROYALTIES

	Three months ended September 30,		Nine months ended September 30,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Royalties	**6,850**	42	**8,548**	169
As a % of petroleum and natural gas sales	**14.1%**	2.0%	**13.7%**	3.0%
$ per boe	**10.68**	0.91	**10.26**	1.40

Royalties as a percentage of petroleum and natural gas sales in the third quarter of 2021 were 14.1 percent compared to 2.0 percent in the third quarter of 2020. Year to date, royalties as a percentage of revenues were 13.7 percent compared to 3.0 percent for the same period in 2020. The increases in royalty rates were primarily attributable to the Oxbow Acquisition which had higher royalties associated than the Company's Viking Asset.

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

OPERATING EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Operating expenses	**17,831**	515	**22,401**	1,390
$ per boe	**27.81**	11.22	**26.90**	11.53

Operating expenses per boe for the three and nine months ended September 30, 2021 were $27.81 and $26.90 compared to $11.22 and $11.53 in the comparable 2020 periods. The increases are primarily attributable to the Oxbow Acquisition which had higher operating expenses per boe than the Company average for the same periods in 2020.

TRANSPORTATION EXPENSES

($000s, except per boe amounts)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Transportation expenses	**352**	-	**678**	-
$ per boe	**0.55**	-	**0.81**	-

Transportation expenses per boe were $0.55 and $0.81 in the three and nine months ended September 2021. The increases in transportation expenses were primarily attributable to transportation costs associated with the Oxbow Acquisition.

OPERATING NETBACKS

The components of Operating Netbacks are set out below:

(per boe amounts)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Petroleum and natural gas sales	**75.85**	46.31	**75.35**	47.43
Royalties	**(10.68)**	(0.91)	**(10.26)**	(1.40)
Operating expenses	**(27.81)**	(11.22)	**(26.90)**	(11.53)
Transportation expenses	**(0.55)**	-	**(0.81)**	-
Operating netbacks (1)	**36.81**	34.18	**37.38**	34.50
Realized gain (loss) on financial derivatives	**(7.98)**	8.71	**(7.83)**	13.85
Operating netbacks after realized gain (loss) on financial derivatives (1)	**28.83**	42.89	**29.55**	48.35

(1) Operating netbacks are a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A

GENERAL AND ADMINISTRATIVE EXPENSES

($000s, except per boe amounts)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
General and administrative expenses	**1,060**	236	**2,419**	796
$ per boe	**1.65**	5.14	**2.90**	6.60

General and administrative ("G&A") expenses in the three and nine months ended September 30, 2021 were $1.0 million and $2.4 million compared to $0.2 million and $0.8 million in the comparable 2020 periods. The increases in G&A expenses was largely attributable to the expanded employee base and associated growth costs of the organization post Oxbow Acquisition.

DEPLETION, DEPRECIATION AND AMORTIZATION

($000s, except per boe amounts)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Depletion, depreciation and amortization	**7,172**	1,342	**9,936**	3,608
$ per boe	**11.19**	29.23	**11.93**	29.93

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

DD&A in the third quarter of 2021 was $11.19 per boe, a decrease from $29.23 per boe in the third quarter of 2020. DD&A in the nine months ended September 30, 2021 was $11.93 per boe, a decrease from $29.93 per boe in the comparative 2020 period. The decrease in DD&A on a per boe basis in the three and nine months ended September 30, 2021 was primarily due to a larger relative increase in the reserve base over the depletable base as a result of the Oxbow Acquisition.

SHARE BASED COMPENSATION

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

For the three and nine months ended September 30, 2021, the Company recorded share based compensation of $0.3 million compared to $0.2 million and $0.5 million for the respective 2020 periods. The decrease in share based compensation expense for the nine months ended September 30, 2021 is primarily due to a reversal of unvested share-based compensation following employee turnover. In the third quarter of 2021 the Company granted 16,000,000 stock options.

FINANCING EXPENSES

Financing expenses for the three and nine months ended September 30, 2021 were $7.2 million and $11.0 million compared to $1.1 million and $3.2 million in the comparable 2020 periods. Increases in financing expenses relate primarily to interest on the Senior Term loan and associated amortization on the original issue discount and deferred financing fees.

FOREIGN EXCHANGE

	Three months ended September 30,		Nine months ended September 30,	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Realized gain (loss) on foreign exchange	**(25)**	(84)	**273**	(362)
Unrealized gain (loss) on foreign exchange	**(768)**	807	**(165)**	(336)
Total foreign exchange gain (loss)	**(793)**	723	**108**	(698)

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

GAIN ON WARRANT EXTINGUISHMENT AND LIABILITY

The Company issued 43,800,000 common share purchase warrants in connection with the Term Notes on June 7, 2021. The warrants have been recognized as part of debt issue costs and corresponding amount has been included in warrant liability which was determined to have a fair value of $4.8 million at inception using the Black-Scholes option pricing model. On September 30, 2021, the warrant liability was determined to have a fair value of $5.0 million resulting in a $0.2 million unrealized loss recognized in profit or loss for the nine months ended September 30, 2021.

In the second quarter of 2021, the Company cancelled 30,505,122 common share purchase warrants related to the Revolving Notes. The warrants had been recognized as debt issue costs and a corresponding amount was included in warrant liability. As at December 31, 2020, the warrants had a fair value of $1.0 million using a Black-Scholes option pricing model. Prior to cancellation, the warrants were determined to have a fair value of $1.7 million resulting in a $0.7 million unrealized loss recognized in profit or loss for the nine months ended September 30, 2021. Upon cancellation, the remaining fair value of $1.7 million was recognized in profit or loss for the nine months ended September 30, 2021.

GAIN ON ACQUISITION

On June 7, 2021 the Company completed the Oxbow Acquisition. The Acquisition was completed for total cash consideration of $79.5 million, after interim adjustments, with $2.4 million of transaction costs expensed in earnings. Transaction costs included $1.8 million in fees and commission and $0.6 million in broker compensation options. The Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

(000's)	June 7, 2021
Property, plant and equipment	132,897
Asset retirement obligation	(40,213)
Deferred income tax liability	(3,301)
Net assets acquired	**89,383**
Cash consideration	79,480
Gain on acquisition	**(9,903)**

The above amounts are estimates, which were made by management at the time of preparation of these condensed interim financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized through the final statement of adjustments.

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

DEFERRED TAXES

For the three and nine months ended September 30, 2021, the Company recognized a deferred income tax expense of $0.6 million and a recovery of $3.3 million compared to $nil in the comparative 2020 periods. The income tax recovery is a result of a deferred tax asset recognition which offsets the deferred tax liability recorded net of property plant and equipment in the purchase price of the Oxbow Acquisition.

NET LOSS

For the three and nine months ended September 30, 2021, the company realized a net loss of $23.3 million and $54.4 million compared to a net loss of $0.8 million and $3.2 million in the comparable 2020 periods. The changes in net loss primarily relate to losses on commodity contract derivatives, partially offset by increased funds flow following the Oxbow Acquisition.

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

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

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Cash flow from (used in) operating activities	**16,160**	836	**(14,318)**	(124)
Changes in non-cash working capital	**(2,491)**	145	**28,803**	2,237
Funds Flow [(1)]	**13,669**	981	**14,485**	2,113
Cash transaction costs	**254**	-	**1,780**	-
Adjusted funds flow [(1)]	**13,923**	981	**16,265**	2,113
Capital expenditures	**(4,445)**	(212)	**(4,647)**	(421)
Free adjusted funds flow [(1)]	**9,478**	769	**11,618**	1,692

(1) See non-GAAP measures

Adjusted funds flow for the three and nine months ended September 30, 2021 was $13.9 million and $16.3 million compared to $1.0 million and $2.1 million in the comparable 2020 periods. The increase in adjusted funds flow was primarily due to the Oxbow Acquisition which resulted in increased petroleum and natural gas sales, offset in part by increased royalties, operating expenses, transportation expenses, transaction costs and G&A, coupled with higher interest costs associated with the MSD Term Loan and increased realized losses on derivative commodity contracts.

Cash flow from operating activities was $16.2 million in the third quarter of 2021 compared to $0.9 million in the third quarter of 2020. Cash flow used in operating activities in the nine months ended September 30, 2021 was $14.3 million compared to $0.1 million in the comparable 2020 period. The change in cash flow from (used in) operating activities represents the increased funds flow related to the Oxbow Acquisition, partially offset by a $21.0 million deposit placed with the Saskatchewan Ministry of Energy and Resources in the second quarter of 2021.

CAPITAL EXPENDITURES

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	**2021**	2020	**2021**	2020
Geological and geophysical	**-**	-	**-**	-
Drilling and completions	**3,738**	62	**3,738**	174
Facilities	**332**	80	**344**	164
Land and lease	**90**	-	**90**	-
Capitalized G&A and other	**285**	70	**475**	83
Development and production expenditures	**4,445**	212	**4,647**	421
Exploration and evaluation expenditures	**-**	193	**-**	633
Property acquisition	**2,660**	-	**79,480**	-
Total capital expenditures	**7,105**	405	**84,127**	1,054

The Company drilled three operated, 100% working interest Viking wells, participated in two gross, non-operated wells (0.54 net wells) and performed workovers/re-activations of existing non-producing wells. All three of the Viking wells were drilled successfully, brought on to production in October 2021 and are in-line with the Company's internal forecasted production rates of light oil. The non-operated wells and workovers contributed additional light oil production throughout the third quarter, with strong capital efficiencies and production results exceeding internal expectations.

Property acquisition represents the cumulative net cash consideration related to the Oxbow acquisition following the first interim statement of adjustments.

CAPITAL RESOURCES AND LIQUIDITY

Senior Term Loan

On June 7, 2021, the Company entered into a $87 million senior secured term loan ("Senior Term Loan") secured by a first-priority lien to all its real and personal assets, property and undertaking. The Company is required to make monthly principal repayments as follows: August 31, 2021 to July 31, 2022 of $3.6 million per month; August 31, 2022 to July 31, 2023 of $2.2 million per month; and August 31, 2023 to June 7, 2024 of $1.5 million per month. All principal repayments are subject to an exit fee of 2.5% of the aggregate principal amount of any such payment. The Senior Term Loan bears interest 11.5% per annum plus the applicable periodic Canadian dollar bankers' acceptance rates at a minimum rate of 1%. The Senior Term Loan has a stated maturity date of June 7, 2024. As at September 30, 2021, the Senior Term Loan had a total carrying amount of $78.5 million net of unamortized original issue discount and debt issue costs.

The Senior Term Loan is subject to various covenants on the part of the Company. As at September 30, 2021, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the current key financial covenants as set forth in the credit agreement when the aggregate principal amount of the Senior Term Loan is greater than $24.0 million:

Covenant description	Covenant Ratio	**September 30, 2021**
PDP Asset Coverage Ratio Minimum	1.75	2.81
Current Ratio Minimum	1.00	1.52
First Lien Net Leverage Ratio Maximum	1.75	1.04

(1) Means the ratio of (a) the PV10 of Saturn's proved developed producing ("PDP") reserves, to (b) the Senior Term Notes, lease liabilities, Promissory Notes, and Convertible Notes net of cash.

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

(3) Means the ratio of (a) the Senior Term Notes, lease liabilities, Promissory Notes, and Convertible Notes net of cash, to (b) annualized earnings before interest, taxes, depreciation and amortization ("EBITDA").

If the aggregate principal amount of the Senior Term Loan is less than $24.0 million, the above noted key financial covenants are amended and replaced with alternative covenants as disclosed in Note 9 to the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2021.

Term Notes

On June 7, 2021, Saturn entered into a restated and amended note purchase agreement to exchange US$19.7 million drawn on the US$20.0 million secured reserve-based revolving note facility ("Revolving Notes") plus accrued and unpaid interest of $2.0 million and replace them with $19.7 million in second priority senior secured cash/paid in kind ("Cash/PIK Notes") and $2.0 million in 15% second-priority senior secured term PIK notes ("PIK Notes") (collectively the "Term Notes") due December 7, 2024. The Cash/PIK Notes bear interest at a combined rate of 15% and are payable at a rate of 7.5% in cash per annum and 7.5% payable in kind accruing monthly and payable upon maturity. The PIK Notes bear interest at 15% and are payable in kind accruing monthly and payable upon maturity. As at September 30, 2021, the Term Notes had a total carrying amount of $23.5 million net of unamortized debt issue costs.

The key financial covenants of the Term Notes are dependent on the balance and lien status of the Senior Term Notes. Prior to the discharge of the first lien obligation of the Senior Term Notes and if the aggregate principal balance of the Senior Term loan is greater than $24.0 million, the key financial covenants of the Senior Term Loan align. If the aggregate principal balance of the Senior Term Loan is less than $24.0 million, the covenants are replaced with alternative covenants as disclosed in Note 10 to the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2021.

Convertible notes

As at September 30, 2021, the Company has a $1.0 million (December 31, 2020 - $1.0 million) and a $0.8 million (December 31, 2020 - $0.8 million) convertible note payable due to a shareholder. Each note bears interest at 5% per annum and is subordinated until July 2024. The convertible note payable and unpaid interest is convertible into shares of the Company at the option of the holder at a conversion price of $0.10 per share for the $1.0 million convertible note and at $0.15 per share for the $0.8 million convertible note. As at September 30, 2021, the convertible notes had a total carrying amount of $2.2 million.

Promissory notes

As at September 30, 2021 the Company has a note payable to a third party in the amount of $1.0 million (December 31, 2020 - $1.0 million) which bears interest at 8.2% with monthly instalments due in aggregate on March 22, 2022, and a note payable to a shareholder in the amount of $0.8 million (December 31, 2020 - $0.8 million) which bears an interest of 2% and is subordinated until July 2024.

Liquidity

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

Net debt

Management considers net debt a key measure in assessing the Company's liquidity. Saturn's net debt (see "Non-GAAP Measures") totaled $71.8 million as at September 30, 2021 compared to $32.9 million as at December 31, 2020. The Company's net debt to annualized third quarter adjusted funds flow was 1.3 times, a significant decrease from prior periods due to the transformational Oxbow acquisition funded by the Senior Term Loan and Private Placements completed late in the second quarter of 2021. A summary of the Company's net debt and net debt to annualized adjusted funds flow is provided below:

($CAD000)	**September 30, 2021**	December 31, 2020
Working capital (surplus) deficiency	(33,892)	4,347
Senior Term Loan	78,519	-
Term Notes	23,472	-
Promissory notes	1,506	1,332
Convertible notes	2,156	2,038
Revolving Notes	-	25,142
Net debt (1)	71,761	32,859
Annualized quarterly adjusted funds flow (1)	55,692	988
Net debt to annualized adjusted funds flow (1)	1.3x	33.3x

(1) Non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value. On June 4, 2021, the Company completed a Private Placement for gross proceeds of $32.2 million issuing 268,333,333 units at a price of $0.12 per unit. Each unit consists of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share at a price of $0.16 per common share for a period of two years from the issue date. As at September 30, 2021, the warrants are fully vested and exercisable.

On October 7, 2021, the Company completed a 20:1 share consolidation. The total number of outstanding securities on September 30, 2021, and as of the date of this MD&A is provided below:

Number of securities (000s)	December 31, 2020	**September 30, 2021**	**November 15, 2021**
Common shares	234,574	**502,907**	**25,145**
Warrants (1)	30,505	**312,133**	**15,607**
Stock options (2)	27,525	**40,250**	**2,013**
Broker compensation options (3)	-	**17,829**	**891**
Total securities outstanding	292,064	**873,118**	**43,656**

(1) On September 30, 2021; includes: 268,333,333 warrants at an exercise price of $0.16 expiring June 4, 2023 and 43,800,000 warrants at an exercise price of $0.16 expiring December 7, 2024. Post-consolidation, the 268,333,333 free tradable warrants remain outstanding and exercisable on a 20 warrant per exercise basis at $0.16 per warrant and the 43,800,000 warrants are consolidated on a 20:1 basis with a corresponding increase to the exercise price.

(2) On September 30, 2021; the outstanding stock options have an average exercise price of $0.12 and a weighted average life remaining of 3.2 years. Post-consolidation, the number of stock options outstanding were reduced with a corresponding increase to the exercise price on a 20:1 basis.

(3) On September 30, 2021; the 17,829,010 Broker compensation options are exercisable at a price of $0.12 and entitle the holder to one common share of the Company and one further warrant exercisable into one common share at a price of $0.16. Post-consolidation, the number of broker compensation options outstanding were reduced a with a corresponding increase to the exercise price on a 20:1 basis.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has the following contractual obligations and commitments as at September 30, 2021:

($CAD000)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Greater than 5 years**	**Total**
Senior Term Loan	44,257	39,115	-	-	83,372
Term Notes (1)	-	38,086	-	-	38,086
Interest payments (2)	9,486	7,594	-	-	17,080
Promissory Notes	865	823	-	-	1,688
Convertible Notes	-	2,329	-	-	2,329
Lease liabilities (3)	1,401	1,944	816	1,333	5,494
Gas processing commitments	943	1,886	1,886	7,858	12,573
	56,952	91,777	2,702	9,191	160,622

(1) Includes the US$ 19.7 million Term Notes plus accrued PIK interest which are scheduled to mature on December 7, 2024 based on September 30, 2021 US to Canadian dollar exchange rate of 1.2741.

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

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

RISKS AND UNCERTAINTIES

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

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

Liquidity risk

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

Credit risk

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

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

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

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated Term Notes. A ten percent change in the US dollar would have resulted in a $9.7 million change to net loss before tax (2020 – $2.7 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated debt.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates associated with the periodic outstanding term based on Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by 1% would have changed net loss by approximately $0.2 million during the three months ended September 30, 2021 (2020 – $0.2 million) assuming all other variables remain constant.

Price risk

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

Market Risk

Saturn manages the risks associated with changes in commodity prices by entering into a variety of risk management commodity contracts classified as financial derivatives. The Company assesses the effects of movement in commodity prices on income before tax. A ten percent increase or decrease in commodity prices would have resulted in a $34.8 million change to unrealized gains or (losses) on risk management contracts and net loss before tax assuming all other variables remain constant.

The Company had the following outstanding financial derivative commodity contracts as at September 30, 2021:

Commodity	Index	Type	Term	Daily volume	Bought put price (US$/bbl)	Sold call price (US$/bbl)	Swap price ($US/bbl)
WTI Crude Oil	NYMEX	Collar	Oct 1-21 to Jun 30-22	2,474	60.00	64.60	
WTI Crude Oil	NYMEX	Collar	Jul 1-22 to Dec 31-22	2,293	50.00	62.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-23 to Dec 31-23	2,109	50.00	58.15	
WTI Crude Oil	NYMEX	Collar	Jan 1-24 to Dec 31-24	1,893	50.00	55.00	
WTI Crude Oil	NYMEX	Collar	Jan 1-25 to May 31-25	1,757	50.00	54.25	
WTI Crude Oil	NYMEX	Swap	Oct 1-21 to Dec 31-21	2,550			63.78
WTI Crude Oil	NYMEX	Swap	Jan 1-22 to Dec 31-22	2,364			58.85
WTI Crude Oil	NYMEX	Swap	Jan 1-23 to Dec 31-23	2,109			55.50
WTI Crude Oil	NYMEX	Swap	Jan 1-24 to Dec 31-24	1,893			53.51
WTI Crude Oil	NYMEX	Swap	Jan 1-25 to May 31-25	1,757			52.51
WTI MSW Differential (1)	NGX	Swap	Oct 1-21 to Dec 31-21	5,099			6.07
WTI MSW Differential (1)	NGX	Swap	Jan 1-22 to Mar 31-22	4,943			6.07
WTI MSW Differential (1)	NGX	Swap	Apr 1-22 to Jun 30-22	4,797			6.07
WTI MSW Differential (1)	NGX	Swap	Jul 1-22 to Sep 30-22	4,651			6.07
WTI MSW Differential (1)	NGX	Swap	Oct 1-22 to Dec 31-22	4,522			6.07

(1) Based on weighted average volumes for the period

Subsequent to September 30, 2021, the Company entered into the following financial derivative commodity contracts:

Commodity	Index	Type	Term	Daily volume (bbl/d)	Bought put price (US$/bbl)	Sold call price (US$/bbl)
WTI Crude Oil	NYMEX	Collar	Nov 1-21 to Oct 31-22	500	70.00	81.65

General Risks

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

Climate Change Risks

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

SUMMARY OF QUARTERLY RESULTS

			2021		2020			2019
($000s, except per boe amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial:								
Petroleum and natural gas revenues	**48,497**	12,589	1,322	1,831	2,127	426	3,165	4,454
Cashflow from (used in) operations	**16,160**	(30,265)	(214)	977	835	(954)	(7)	8,505
Adjusted funds flow	**13,923**	2,884	(543)	246	979	(529)	1,661	2,496
Basic ($/share)	**0.03**	0.01	(0.00)	0.00	0.00	(0.00)	0.01	0.01
Net (loss) income	**(23,307)**	(29,597)	(1,529)	(4,598)	(796)	(3,023)	658	(1,451)
Basic ($/share)	**(0.05)**	(0.10)	(0.01)	(0.02)	(0.00)	(0.01)	(0.00)	(0.01)
Diluted ($/share)	**(0.05)**	(0.10)	(0.01)	(0.02)	(0.00)	(0.01)	(0.00)	(0.01)
Acquisitions	**2,660**	76,820	-	-	-	-	-	-
Capital expenditures	**4,445**	201	-	74	405	107	542	9,187
Total assets	**228,564**	236,356	41,783	43,085	44,360	44,834	49,796	48,249
Net debt	**71,761**	74,504	33,600	32,859	24,797	29,907	30,879	28,395
Common shares outstanding (000s)	**502,907**	502,907	234,574	234,574	233,246	233,246	234,574	233,246
Operational:								
Average daily production								
Crude oil (bbls/d)	**6,413**	1,741	233	415	499	136	706	753
NGLs (bbls/d)	**278**	66	-	-	-	-	-	-
Natural gas (Mcf/d)	**1,673**	408	-	-	-	-	-	-
Total (boe/d)	**6,970**	1,875	233	415	499	136	706	753

Between and including the first quarter of 2021 and the fourth quarter of 2019, Saturn produced an average of 483 boe/d from its Viking Assets in West Central Saskatchewan resulting in revenue between $0.4 million and $4.5 million. The company is exposed to commodity price risk and revenue fluctuates with the benchmark prices accordingly. The Company's capital expenditures within this period were primarily spent in the second half of 2019 where it drilled eight 100% working interest wells which is correlated to the corresponding change in cash flow from operations and resulting funds flow.

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

CHANGES IN ACCOUNTING POLICIES

Under the Company's previous accounting policy for decommissioning obligations, the estimate of the expenditure required to settle the present obligation at the balance sheet date was recorded on a discounted basis using the pre-tax risk-free interest rate and the future cash flow estimates were adjusted to reflect the risks specific to the liability. In the second quarter of 2021, the Company voluntarily changed its accounting policy to use a credit-adjusted risk-free discount rate and future cash flow estimates will not be adjusted to reflect the risks specific to the liability.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

USE OF ESTIMATES

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

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

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

- The recoverability of accounts receivable and due from related parties which is included in the condensed interim statement of financial position;
- The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the condensed interim statement of financial position;
- The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants;
- Fair values of petroleum and natural gas properties, depletion and depreciation and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves, oil and gas prices and future costs required

to develop those reserves. By their nature, estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the condensed interim financial statements of future periods could be material;

- Amounts recorded for asset retirement obligation liabilities including estimates around timing and amount of expenditures required to settle liabilities and the credit-adjusted risk free discount rate used;
- In the determination of fair value for convertible notes, the Corporation uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, the Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry;
- 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, forecast benchmark commodity prices, and foreign exchange;
- Fair value of business combinations require management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and exploration and evaluation assets acquired generally require the most judgment and include estimates of reserves acquired, discount rates, and forecast benchmark commodity prices;

NON-GAAP MEASURES

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

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

“Adjusted funds flow” adjusts funds flow for items outside the scope of operations such as transactions costs and decommissioning expenditures. Saturn uses adjusted funds flow as a key measure to demonstrate the Company’s ability to generate funds to repay debt and fund future capital investment. Adjusted funds flow per share is calculated using the same weighted average basic and diluted shares that are used in calculating income (loss) per share. The calculation of the Company’s adjusted funds flows is summarized within “Cash flow from (used in) operating activities and funds flow” section of this MD&A.

“Free adjusted funds flow” represents Adjusted funds flow and deducts capital expenditures excluding acquisitions and divestures. Saturn uses free adjusted funds flow as a measure to track overall profitability of the company and increase overall value. The calculation of the Company’s free adjusted funds flows is summarized within “Cash flow from (used in) operating activities and funds flow” section of this MD&A.

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

“Net debt” represents cash, accounts receivable, deposits and prepaid expenses (current and long-term), accounts payable and accrued liabilities, Senior Term Loan, Term Notes, promissory notes, convertible notes and the Revolving Loan. The Company uses net debt as an alternative to total outstanding debt as management believed it provides a more accurate measure in assessing the liquidity of the Company. The calculation of the Company’s net debt is summarized within “Liquidity and capital resources” section of this MD&A.

BOE PRESENTATION

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

OTHER REQUIREMENTS

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

DIRECTORS AND OFFICERS

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

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

FORWARD LOOKING INFORMATION

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

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

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