

SATURN OIL & GAS INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(unaudited)

As at (\$000s)	September 30, 2022	December 31, 2021
ASSETS		
Cash	31,044	2,415
Accounts receivable	49,068	20,039
Deposits and prepaid expenses	8,935	6,461
Financial derivatives (note 14)	2,245	-
Total current assets	91,292	28,915
Exploration and evaluation assets	5,055	4,485
Property, plant and equipment (note 4)	470,185	162,909
Right-of-use assets (note 5)	3,633	3,776
Deposit (note 7)	21,101	21,021
Financial derivatives (note 14)	2,328	-
Total assets	593,594	221,106
LIABILITIES		
Accounts payable	62,993	28,850
Senior term loan (note 8)	134,206	33,582
Lease liabilities (note 6)	937	933
Financial derivatives (note 14)	22,307	31,719
Total current liabilities	220,443	95,084
Senior term loan (note 8)	142,448	31,473
Term notes	-	24,104
Promissory note	824	784
Convertible notes	2,332	2,197
Decommissioning obligations (note 7)	54,562	47,296
Lease liabilities (note 6)	2,491	2,814
Warrant liability	2,270	4,856
Deferred Tax Liability	2,048	-
Financial derivatives (note 14)	11,135	42,804
Total liabilities	438,553	251,412
SHAREHOLDERS' EQUITY		
Share capital (note 9)	121,798	45,609
Contributed surplus (note 9)	14,858	12,922
Warrants (note 9)	30,039	14,361
Deficit	(11,654)	(103,198)
Total shareholders' equity (deficit)	155,041	(30,306)
Total liabilities and shareholders' equity	593,594	221,106

Commitments (note 15)

See accompanying notes to the condensed consolidated interim financial statements

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

(\$000s, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
REVENUE				
Petroleum and natural gas sales (note 10)	105,728	47,059	256,399	60,969
Processing income (note 10)	721	764	2,121	764
Royalties	(12,680)	(6,850)	(36,618)	(8,548)
	93,769	40,973	221,902	53,185
Realized loss on derivatives (note 14)	(17,327)	(5,117)	(68,809)	(6,519)
Unrealized gain (loss) on derivatives (note 14)	135,799	(20,908)	45,654	(66,806)
Other income (note 7)	7,269	-	11,352	-
	219,510	14,948	210,099	(20,140)
EXPENSES				
Operating	24,788	17,157	62,683	21,726
Transportation	607	352	1,621	678
General and administrative	2,491	1,060	5,471	2,419
Depletion depreciation and amortization (notes 4,5)	14,107	7,172	27,290	9,936
Exploration and evaluation expiries	12	-	710	-
Share based payments (note 9)	107	333	463	293
Financing (note 11)	13,879	7,218	26,642	11,002
Foreign exchange (gain) loss	(1,742)	793	(1,118)	(108)
Debt extinguishment (gain) loss (note 8)	4,575	635	11,458	(1,032)
Unrealized (gain) loss on warrant liability	(170)	621	(2,584)	192
Transaction costs	1,226	254	1,226	2,391
Gain on acquisition (note 3)	(9,777)	1,995	(15,500)	(9,903)
	50,103	37,590	118,362	37,594
Income (loss) before income taxes	169,407	(22,642)	91,737	(57,734)
Deferred income tax expense (recovery)	2,100	665	193	(3,301)
Net income (loss) and comprehensive income (loss)	167,307	(23,307)	91,544	(54,433)
Net income (loss) per share (note 9)				
Basic	2.89	(0.93)	2.34	(3.12)
Diluted	2.87	(0.93)	2.30	(3.12)

See accompanying notes to the condensed consolidated interim financial statements

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

(unaudited)

(\$000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2020	11,728	33,027	8,716	-	(38,137)	3,606
Private placement	13,417	32,200	-	-	-	32,200
Allocation to warrants (note 9)	-	(14,361)	-	14,361	-	-
Cash share issue costs (note 9)	-	(2,375)	-	-	-	(2,375)
Non-cash share issue costs (note 9)	-	(3,022)	3,633	-	-	611
Share based payments	-	-	352	-	-	352
Net loss for the period	-	-	-	-	(54,433)	(54,433)
Balance, September 30, 2021	25,145	45,469	12,701	14,361	(92,570)	(20,039)
Balance, December 31, 2021	25,165	45,609	12,922	14,361	(103,198)	(30,306)
Equity financings (note 9)	34,199	95,763	-	-	-	95,763
Allocation to warrants (note 9)	-	(14,679)	-	14,679	-	-
Cash share issue costs (note 9)	-	(6,926)	-	-	-	(6,926)
Non-cash share issue costs (note 9)	-	421	2,890	-	-	3,311
Share based payments	-	-	604	-	-	604
Stock option exercise	150	502	(232)	-	-	270
Broker option exercise	325	1,108	(1,326)	999	-	781
Net income for the period	-	-	-	-	91,544	91,544
Balance, September 30, 2022	59,839	121,798	14,858	30,039	(11,654)	155,041

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS

(unaudited)

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net income (loss) for the period	167,307	(23,307)	91,544	(54,433)
Items not affecting cash:				
Depletion, depreciation and amortization (notes 4,5)	14,107	7,172	27,290	9,936
Exploration and evaluation expiries	12	-	710	-
Share based payments (note 9)	107	333	463	293
Deferred income tax (recovery) expense	2,100	665	193	(3,301)
Unrealized (gain) loss on financial derivatives (note 14)	(135,799)	20,908	(45,654)	66,806
Unrealized (gain) loss on warrant liability	(170)	621	(2,584)	192
Unrealized foreign exchange (gain) loss	1	761	46	157
Gain on acquisition (note 3)	(9,777)	1,995	(15,500)	(9,903)
(Gain) loss on debt extinguishment (note 8)	4,575	635	11,458	(1,032)
Non-cash financing expenses (note 11)	3,287	3,886	9,754	7,503
Non-cash transaction costs	-	-	-	611
Other income (note 7)	(6,980)	-	(11,015)	-
Decommissioning expenditures (note 7)	(120)	-	(549)	-
Change in non-cash working capital (note 12)	(25,178)	2,491	(21,941)	(31,147)
Cash flow from (used in) operating activities	13,472	16,160	44,215	(14,318)
FINANCING ACTIVITIES				
Proceeds from senior term loan, net of discount (note 8)	193,250	-	229,968	84,064
Debt issue costs (note 8)	(793)	-	(1,080)	(4,081)
Repayment of senior term loan (note 8)	(12,286)	(3,628)	(24,523)	(3,628)
Proceeds from share issuance (note 9)	75,150	-	95,763	32,200
Share issue costs (note 9)	(5,258)	(335)	(6,926)	(2,375)
Repayment of promissory notes	-	-	(32,081)	(48)
Proceeds from option exercise (note 9)	270	-	1,051	--
Lease payments (note 6)	(454)	(446)	(1,266)	(595)
Change in non-cash working capital (note 12)	-	806	-	3,150
Cash flows from (used in) financing activities	249,879	(3,602)	260,906	108,687
INVESTING ACTIVITIES				
Property acquisition (note 3)	(240,070)	(2,660)	(247,562)	(79,480)
Property, plant and equipment (note 4)	(36,780)	(4,445)	(52,145)	(4,647)
Exploration and evaluation	(211)	-	(1,285)	-
Change in non-cash working capital (note 12)	37,059	3,495	24,500	3,495
Cash flows used in investing activities	(240,002)	(3,610)	(276,492)	(80,632)
Change in cash, during the period	23,349	8,948	28,629	13,737
Cash, beginning of period	7,695	5,359	2,415	569
Cash, end of period	31,044	14,306	31,044	14,306

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022 and 2021
(unaudited)

1. NATURE OF OPERATIONS

Saturn Oil & Gas Inc. (“Saturn” or the “Company”) 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 Southeast and West Central Saskatchewan. The common shares and certain warrants of the Company are listed on the TSX Venture Exchange (“TSXV”) and trade under the symbols “SOIL”, “SOIL.WT”, “SOIL.WT.A” and “SOIL.WT.B”.

The Company’s corporate headquarters are at 1000 – 207 9 Ave SW, Calgary, Alberta, T2P 1K3, and its registered office is located at 230 – 22 Street East Suite 800, Saskatoon, SK S7K 0E9.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in accordance with IAS 34 – Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all information required for annual consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021. These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies as the Company’s audited consolidated financial statements for the year ended December 31, 2021.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Company’s Board of Directors on November 8, 2022.

Operating environment

The marketability and price of oil and natural gas that may be acquired or discovered by Saturn is and will continue to be affected by global events that may cause disruptions in the supply of oil and natural gas. Conflicts, or conversely peaceful developments, arising in Canada and abroad, including pandemics, shifts in social opinion, changes in political regimes or parties in power, may have a significant impact on the price of crude oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Saturn's net production revenue.

The level of public health, social, and geo-political risk escalates at certain points in time. While the specific impact on the global economy would depend on the nature of the event, in general, any major event could result in instability and volatility. Current areas of attention include: global uncertainty and market repercussions due to the spread of COVID-19; Russia's military invasion of Ukraine; and rising civil unrest and activism globally.

Basis of measurement, functional and presentation currency

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

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

Significant judgments, estimates, fair values and accounting policies

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgments, estimates and assumptions made by management in these unaudited condensed consolidated interim financial statements are outlined in note 2 of the Company's December 31, 2021 annual consolidated financial statements. There have been no changes in the Company's judgments, estimates, accounting policies or determination of fair values applied during the interim period ended September 30, 2022, relative to those described in the most recent annual consolidated financial statements as at and for the year ended December 31, 2021.

3. ACQUISITIONS

Viking Acquisition

On July 6, 2022, the Company completed an acquisition (the "Viking Acquisition") of certain oil and gas properties targeting the Viking formation located in West Central Saskatchewan. The Viking Acquisition was completed for total cash consideration of \$240.1 million, after interim closing adjustments. The Viking Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

(\$000s)	July 6, 2022
Property, plant and equipment	260,484
Decommissioning obligations	(7,378)
Deferred income tax liability	(3,259)
Net assets acquired	249,847
Cash consideration	240,070
Gain on acquisition	9,777

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%.

Petroleum and natural gas sales of \$36.2 million and net income of \$28.7 million are included in the statement of income (loss) and comprehensive income (loss) for the acquired assets since the closing date of July 6, 2022.

If the Viking Acquisition had occurred on January 1, 2022, the incremental petroleum and natural gas sales and net income (loss) recognized for the period ended September 30, 2022, and the pro forma results would have been as follows:

(\$000s)	As stated	Acquisition prior to close date	(Unaudited) Pro Forma
Petroleum and natural gas sales	256,399	100,335	356,734
Net income (loss)	97,348	77,360	174,708

Plato Acquisition

On February 28, 2022, the Company completed an acquisition (the "Plato Acquisition") of certain oil and gas properties located in the Plato area of West Central Saskatchewan. The Plato Acquisition was completed for total cash consideration of \$7.5 million, after closing adjustments. The Acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and liabilities assumed are recorded at the estimated fair value on the acquisition date.

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

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

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

Petroleum and natural gas sales of \$6.6 million and net income of \$4.7 million are included in the statement of income (loss) and comprehensive income (loss) for the acquired assets since the closing date of February 28, 2022.

If the Plato Acquisition had occurred on January 1, 2022, the incremental petroleum and natural gas sales and net income recognized for the period ended September 30, 2022, and the pro forma results would have been as follows:

(\$000s)	As stated	Acquisition prior to close date	(Unaudited) Pro Forma
Petroleum and natural gas sales	256,399	1,372	257,771
Net income (loss)	97,348	819	98,167

4. PROPERTY, PLANT AND EQUIPMENT

Cost (\$000s)	Oil and gas properties	Other assets	Total
As at December 31, 2020	46,560	307	46,867
Additions	8,592	35	8,627
Acquisition	132,897	-	132,897
Change in decommissioning obligations	3,398	-	3,398
As at December 31, 2021	191,447	342	191,789
Additions	51,647	640	52,287
Acquisition (note 3)	276,195	-	276,195
Change in decommissioning obligations	5,405	-	5,405
As at September 30, 2022	524,694	982	525,676
Accumulated depletion, depreciation and amortization			
As at December 31, 2020	13,236	206	13,442
Depletion, depreciation and amortization	15,522	147	15,669
Disposals	(43)	(188)	(231)
As at December 31, 2021	28,715	165	28,880
Depletion, depreciation and amortization	26,384	227	26,611
As at September 30, 2022	55,099	392	55,491
Net book value			
As at December 31, 2021	162,732	177	162,909
As at September 30, 2022	469,595	590	470,185

As at September 30, 2022, the calculation of depletion includes estimated future development costs relating to the development of proved plus probable reserves of \$380.2 million (December 31, 2021 - \$303.4 million). The Company capitalized \$1.6 million of general and administrative costs for the period ended September 30, 2022 (year ended December 31, 2021 – \$0.6 million) and capitalized \$0.1 million of share-based compensation expense for the period ended September 30, 2022 (year ended December 31, 2021 – \$0.2 million).

At September 30, 2022, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

5. RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities and vehicles. See note 6 for additional information regarding the Company's leases.

Cost (\$000s)	Offices	Vehicles	Total
As at December 31, 2020	935	-	935
Additions	2,419	1,349	3,768
As at December 31, 2021	3,354	1,349	4,703
Additions	290	246	536
As at September 30, 2022	3,644	1,595	5,239
Accumulated depletion, depreciation and amortization			
As at December 31, 2020	370	-	370
Depletion, depreciation and amortization	321	236	557
As at December 31, 2021	691	236	927
Depletion, depreciation and amortization	426	253	679
As at September 30, 2022	1,117	489	1,606
Net book value			
As at December 31, 2021	2,663	1,113	3,776
As at September 30, 2022	2,527	1,106	3,633

6. LEASES

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

(\$000s)	September 30, 2022	December 31, 2021
Balance, beginning of period	3,747	610
Lease remeasurement	-	581
Additions	536	3,188
Lease payment	(1,266)	(964)
Interest expense	411	332
Carrying value, end of period	3,428	3,747
Current	937	933
Long-term	2,491	2,814

As at September 30, 2022, the estimated undiscounted cash flows required to settle the Company's lease liability was \$5.8 million (December 31, 2021 - \$5.5 million).

7. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation represents costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated that the total undiscounted cash flows required to settle the obligations will be \$239.5 million (December 31, 2021 - \$196.2 million) which has been inflated at 2.0% (December 31, 2021 - 2.0%) and discounted below using the credit adjusted risk-free rate of 14.5% (December 31, 2021 - 14.5%) with an estimated timeline to abandoned between 9 and 59 years.

(\$000s)	September 30, 2022	December 31, 2021
Balance, beginning of period	47,296	415
Acquired (note 3,4)	7,966	40,213
Obligations incurred (note 4)	508	8
Change in estimates (note 4)	4,897	3,390
ASCP settlements	(11,015)	(256)
Cash settlements	(549)	(53)
Accretion	5,459	3,579
Balance, end of period	54,562	47,296

During the nine months ended September 30, 2022, approximately \$11.0 million was granted to Saturn from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP") and has been recorded as other income in the statement of income.

In connection with the acquisition of the Company's assets in the Oxbow area of Southeast Saskatchewan, the Company placed a \$21.0 million deposit with the Saskatchewan Ministry of Energy and Resources ("SMER") on June 7, 2021.

8. SENIOR TERM LOAN

On February 28, 2022, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by \$38.0 million to an aggregate principal amount of \$103.2 million at an original issue discount of 3.375%. On July 6, 2022, the Company entered into a Second Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by an additional \$200.0 million to an aggregate principal amount of \$294.6 million at an original issue discount of 3.375%. The loan will amortize over three years with the scheduled repayment dates as follows: July 6, 2022 to August 31, 2022 of \$nil, September 1, 2022 to July 31, 2023 of \$12.3 million per month, August 1, 2023 to July 31, 2024 of \$7.4 million per month and August 1, 2024 to July 31, 2025 of \$4.9 million per month. All principal repayments are subject to an exit fee of 2.5% on the aggregate principal amount of any such payment. The Senior Term Loan bears interest 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 revised stated maturity date of July 7, 2025.

Principal (\$000s)	September 30, 2022	December 31, 2021
Balance, beginning of period	68,860	-
Additions	238,000	87,000
Repayments	(24,523)	(18,140)
Balance, end of period	282,337	68,860
Debt issue costs and discount		
Balance, beginning of period	(3,805)	-
Additions, original issue discount	(8,033)	(6,470)
Additions, debt issue costs	(1,076)	-
Acceleration on extinguishment	4,281	-
Amortization	2,950	2,665
Balance, end of period	(5,683)	(3,805)
Carrying value	276,654	65,055
Current	134,206	33,582
Long-term	142,448	31,473

Covenants

The Senior Term Loan is subject to various covenants on the part of the Company including limitations on certain types of activities, restrictions or requirements with respect to additional debt, liquidity, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. As at September 30, 2022, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the current key financial covenants as set forth in the credit agreement:

Covenant description	Covenant Ratio	September 30, 2022
PDP Asset Coverage Ratio Minimum ⁽¹⁾	1.75	1.86
Current Ratio Minimum ⁽²⁾	1.00	1.41
First Lien Net Leverage Ratio Maximum ⁽³⁾	1.75	1.36

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

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

⁽³⁾ The ratio of (a) the Senior Term Loan net of cash, to (b) annualized adjusted EBITDA (note 13).

Loss on debt extinguishment

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

Concurrently, the Company expanded its Senior Term Loan by \$38.0 million. The net present value of the expanded cash flows related to the Senior Term Loan, discounted at the original effective interest rate, was compared against the original carrying net book value, resulting in a gain on debt modification of \$0.3 million.

The following tables reconciles the February 28, 2022 loss on debt extinguishment:

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

On July 6, 2022, the pre-existing unamortized debt issue costs and proportional amount of new debt issue costs were expensed, resulting in a \$4.6 million non-cash loss on debt extinguishment.

The following tables reconciles the loss on debt extinguishment:

(\$000s)	Amount
Senior Term Loan principal outstanding (pre-expansion)	94,623
Senior Term Loan unamortized debt issue costs	(3,782)
Senior Term Loan carrying value	90,841
Senior Term Loan extinguished	94,623
Proportion of new debt issue costs	793
Loss on debt extinguishment	(4,575)
Comprised of:	
Senior Term Loan unamortized debt issue costs, non-cash	(3,782)
New debt issue costs, non-cash	(793)
Loss on debt extinguishment	(4,575)

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued and outstanding

(000s)	September 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Balance, beginning of period	25,165	45,609	11,728	33,027
Common shares issued for cash proceeds	34,199	95,763	13,417	32,200
Allocation to warrants	-	(14,679)	-	(14,361)
Cash share issue costs	-	(6,926)	-	(2,325)
Non-cash share issue costs	-	421	-	(3,022)
Broker option exercise	325	1,108	-	-
Stock option exercise	150	502	20	90
Balance, end of period	59,839	121,798	25,165	45,609

On March 10, 2022, Saturn completed a bought-deal equity financing of 6,141,000 units at a price of \$3.00 per unit; and a non-brokered private placement of 730,000 units at a price of \$3.00 per unit, together the (“March Equity Financings”) for aggregate gross proceeds of \$20.6 million. Each unit consisted of one Common Share and one common share purchase warrant entitling the holder to acquire one Common Share at a price of \$4.00 expiring March 10, 2025. The Company recorded \$3.0 million in share issue costs comprised of \$1.7 million in commission and fees and the calculated fair value of \$1.3 million associated with 399,165 broker options issued to underwriters and advisors.

On July 6, 2022, Saturn completed a bought-deal equity financing of 27,181,860 units at a price of \$2.75 per unit; and a non-brokered private placement of 145,573 units at a price of \$2.75 per unit, together the (“July Equity Financings”) for aggregate gross proceeds of \$75.2 million. Each unit consisted of one Common Share and one-half of one common share purchase warrant entitling the holder of each whole warrant to acquire one Common Share at a price of \$3.20 expiring July 7, 2023. The Company recorded \$6.8 million in share issue costs comprised of \$5.3 million in commission and fees and the calculated fair value of \$1.5 million associated with 1,619,962 broker options issued to underwriters and advisors.

Warrants

(000s, except per warrant price)	September 30, 2022		December 31, 2021	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of period	15,607	3.20	1,525	4.70
Issued	20,860	3.46	15,607	3.20
Cancelled	-	-	(1,525)	4.70
Balance, end of period	36,467	3.35	15,607	3.20

On February 24, 2022, the Company issued 325,312 restricted warrants upon the exercise of certain broker options.

On March 10, 2022, the Company issued 6,871,000 warrants in connection to the March Equity Financings which were allocated a fair value of \$7.2 million. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 36 months; volatility of 99%; risk-free interest rate of 1.6%; and a dividend yield of 0%.

On July 6, 2022, the Company issued 13,663,717 warrants in connection to the July Equity Financings which were allocated a fair value of \$7.5 million. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 12 months; volatility of 96%; risk-free interest rate of 3.1%; and a dividend yield of 0%.

The Company has both non-listed restricted warrants and listed unrestricted warrants that trade on the TSXV. As at September 30, 2022, the following share purchase warrants are outstanding and exercisable.

(000s, except per warrant price)	Warrants			Shares issuable	
Expiry date	Type	Exercise price	outstanding and exercisable	Exercise ratio	upon exercise
March 1, 2023	Restricted	3.20	2,190	1:1	2,190
June 4, 2023 ⁽¹⁾	SOIL.WT	0.16	268,333	20:1	13,417
June 4, 2023 ⁽²⁾	Restricted	0.16	6,506	20:1	325
June 7, 2023	SOIL.WT.B	3.20	13,664	1:1	13,664
March 10, 2025	SOIL.WT.A	4.00	6,871	1:1	6,871
					36,467

⁽¹⁾ 268,333,333 non-consolidated warrants outstanding, exercisable on a twenty warrant per exercise basis at \$0.16 per warrant.

⁽²⁾ 6,506,240 non-consolidated warrants outstanding, exercisable on a twenty warrant per exercise basis at \$0.16 per warrant.

Broker options

(000s, except per broker option price)	September 30, 2022		December 31, 2021	
	Broker options	Weighted average exercise price	Broker options	Weighted average exercise price
Balance, beginning of period	891	2.40	-	-
Issued	2,019	2.80	891	2.40
Exercised	(325)	2.40	-	-
Balance, end of period	2,585	2.71	891	2.40

In partial consideration for services rendered in relation to the March Equity Financings, the Company issued 399,165 broker options to the underwriters. Each broker option is exercisable at a price of \$3.00 until March 10, 2024 and entitles the holder to one common share of the Company and one warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$4.00 until March 10, 2025. As at September 30, 2022, the broker options are fully vested and exercisable.

In partial consideration for services rendered in relation to the July Equity Financings, the Company issued 1,619,962 broker options to the underwriters. Each broker option is exercisable at a price of \$2.75 until July 7, 2023 and entitles the holder to one common share of the Company and one-half of one common share purchase warrant. Each whole-warrant entitles the holder to purchase one common share of the Company at an exercise price of \$3.20 until July 7, 2024. As at September 30, 2022, the broker options are fully vested and exercisable.

As at September 30, 2022, the Company had the following broker options outstanding and exercisable:

(000s, except per broker option price)	Exercise price	Broker options outstanding and exercisable
June 4, 2023 ⁽¹⁾	2.40	566
July 7, 2023 ⁽²⁾	2.75	1,620
March 10, 2024 ⁽³⁾	3.00	399
		2,585

⁽¹⁾ 566,144 broker options, each exercisable at \$2.40 into one common share and 20 warrants. Warrants exercisable on a 20:1 per exercise basis at \$0.16 per warrant expiring June 4, 2023.

⁽²⁾ 1,619,962 broker options, each exercisable at \$2.75 into one common share and one-half of one warrant. Each whole warrant exercisable on a 1:1 per exercise basis at \$3.20 per warrant expiring July 7, 2024.

⁽³⁾ 399,165 broker options, each exercisable at \$3.00 into one common share and one warrant. Warrants exercisable on a 1:1 per exercise basis at \$4.00 per warrant expiring March 10, 2025.

Stock options

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

(000s, except per option price)	September 30, 2022		December 31, 2021	
	Stock options	Weighted average exercise price	Stock options	Weighted average exercise price
Balance, beginning of period	1,983	2.49	1,376	2.51
Granted	-	-	800	2.51
Exercised	(150)	1.80	(20)	2.50
Expired	-	-	(145)	2.69
Forfeited/cancelled	(10)	1.80	(28)	3.00
Balance, end of period	1,823	2.55	1,983	2.49

As at September 30, 2022, the following stock options were exercisable and outstanding:

(000s, except per option price)	Stock options outstanding			Stock options exercisable		
	Number outstanding	Weighted average exercise price	Weighted average life remaining (years)	Number exercisable	Weighted average exercise price	Weighted average life remaining (years)
1.60 - 2.00	455	1.77	1.1	436	1.76	1.0
2.01 - 2.90	890	2.50	3.6	526	2.46	3.5
2.91 - 4.00	478	3.39	1.5	478	3.39	1.5
	1,823	2.55	2.4	1,440	2.55	2.1

During the nine months ended September 30, 2022, the Company expensed \$0.5 million (year ended 2021 – \$0.5 million) and capitalized \$0.1 million (year ended 2021 - \$0.2 million) related to share-based compensation.

Restricted Share Units

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

(000s, except per RSU price)	September 30, 2022		December 31, 2021	
	RSUs	Weighted average exercise price	RSUs	Weighted average exercise price
Balance, beginning of period	-	-	-	-
Granted	63	3.50	-	-
Forfeited/Cancelled	(18)	3.50	-	-
Balance, end of period	45	3.50	-	-

As at September 30, 2022, the following RSUs were exercisable and outstanding:

(000s, except per RSU price)	RSUs outstanding			RSUs exercisable		
	Number outstanding	Weighted average exercise price	Weighted average life remaining (years)	Number exercisable	Weighted average exercise price	Weighted average life remaining (years)
3.50	45	3.50	2.3	-	-	-
	45	3.50	2.3	-	-	-

Per share amounts

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

(000s, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Weighted average shares outstanding				
Basic	57,907	25,145	39,168	17,430
Diluted	58,336	30,021	39,769	22,327
Per share income (loss)				
Basic	2.89	(0.93)	2.34	(3.12)
Diluted	2.87	(0.93)	2.30	(3.12)

10. REVENUE

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Crude oil	103,695	46,237	251,031	59,851
NGLs	1,125	476	3,356	677
Natural gas	908	346	2,012	441
Petroleum and natural gas sales	105,728	47,059	256,399	60,969
Processing income	721	764	2,121	764
	106,449	47,823	258,520	61,733

Petroleum and natural gas sales represent the proceeds received from the sale of oil, natural gas, and NGLs production under variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location, processing charges or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenue is typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point. Included in accounts receivable as at September 30, 2022 is \$33.6 million (December 31, 2021 – \$18.0 million) of accrued petroleum and natural gas sales related to September 30, 2022 production.

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

11. FINANCING

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense, cash	10,592	3,330	16,888	4,500
Interest expense, paid in kind	-	573	570	2,104
Amortization of original issue discount and debt issue costs	1,113	1,563	3,139	2,008
Accretion, debt instruments	65	143	175	335
Accretion, leases	131	146	411	192
Accretion, decommissioning obligations	1,978	1,463	5,459	1,863
Financing expenses	13,879	7,218	26,642	11,002

12. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Change in non-cash working capital:				
Accounts receivable	(17,736)	(4,511)	(29,029)	(16,443)
Deposits and prepaid expenses	10,745	903	(2,555)	(26,880)
Accounts payable	18,872	10,400	34,143	18,821
	11,881	6,792	2,559	(24,502)
Related to:				
Operating activities	(25,178)	2,491	(21,941)	(31,147)
Financing activities	-	806	-	3,150
Investing activities	37,059	3,495	24,500	3,495
Total change in non-cash working capital	11,881	6,792	2,559	(24,502)

13. CAPITAL MANAGEMENT

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it may 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's capital structure may be adjusted by issuing or repurchasing shares, issuing or

repurchasing debt, modifying capital spending programs and disposing of assets; the availability of any such means being dependent upon market conditions. Management reviews its approach to capital management on an ongoing basis and believes that this approach is appropriate. There were no changes in the Company's approach to capital management during the period ended September 30, 2022.

Adjusted funds flow

The Company considers Adjusted funds flow to be a key capital management measure as it demonstrates Saturn's ability to generate the necessary funds to manage production levels and fund future growth through capital investment. Management believes that this measure provides an insightful assessment of Saturn's operations on a continuing basis by eliminating certain non-cash charges, actual settlements of decommissioning obligations, of which the nature and timing of expenditures are discretionary and transaction costs which vary based on the Company's acquisition and disposition activity. Adjusted funds flow is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. The Company's Adjusted funds flow is calculated as follows.

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash flow from (used in) operating activities	13,472	16,160	44,215	(14,318)
Change in non-cash working capital	25,178	(2,491)	21,941	31,147
Decommissioning expenditures	(120)	-	(549)	-
Transaction costs	1,226	254	1,226	2,391
Adjusted funds flow	39,756	13,923	66,833	19,220

Net debt and total capitalization

Management considers net debt a key capital management measure in assessing the Company's liquidity. The Company manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's underlying assets and operations. Total market capitalization and net debt to annualized quarterly adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity.

(\$000s)	September 30, 2022	December 31, 2021
Total common shares outstanding (000s)	59,839	25,165
Share price ⁽¹⁾	2.40	3.94
Total market capitalization	143,614	99,150
Adjusted working capital ⁽²⁾	(26,054)	(65)
Long-term deposit (note 7)	(21,101)	(21,021)
Senior Term Loan	276,654	65,055
Promissory notes	824	784
Convertible notes	2,332	2,197
Term Notes	-	24,104
Net debt	232,655	71,054
Annualized quarterly adjusted funds flow	159,024	38,924
Net debt to annualized quarterly adjusted funds flow	1.5x	1.8x

⁽¹⁾ Represents the closing share price on the TSXV on the last day of trading of the period.

⁽²⁾ Adjusted working capital is calculated as cash, accounts receivable, deposits and prepaids net of accounts payable.

Adjusted EBITDA

The Company considers Adjusted EBITDA to be a key capital management measure as it is both used within certain financial covenants prescribed under the Company's Senior Term Loan (note 8) and demonstrates Saturn's standalone profitability, operating and financial performance in terms of cash flow generation, adjusting for interest related to its capital structure. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation, amortization and other non-cash items and is calculated as Adjusted funds flow before cash interest expense. Adjusted EBITDA is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. The Company's Adjusted EBITDA is calculated as follows.

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Adjusted funds flow	39,756	13,923	66,833	19,220
Interest expense, cash	10,592	3,330	16,888	4,500
Adjusted EBITDA	50,348	17,253	83,721	23,720

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial derivatives

Saturn manages the risks associated with changes in commodity prices by entering into a variety of risk management commodity contracts classified as financial derivatives. The Company assesses the effects of movement in commodity prices on income (loss) before tax. A ten percent increase or decrease in commodity prices would have resulted in a \$62.1 million change to unrealized gains (losses) on risk management contracts and net income (loss) before tax assuming all other variables remain constant.

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

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

⁽¹⁾ Weighted average prices for the period.

Financial derivative assets and liabilities are only offset if the Company has the legal right to offset and intends to settle on a net basis or settle the instrument simultaneously. The Company offsets financial instrument assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivative commodity contracts that are offset on the statements of financial position as at September 30, 2022:

(\$000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	27,062	(24,817)	2,245
Long term asset	51,365	(49,037)	2,328
Current liability	(47,124)	24,817	(22,307)
Long term liability	(60,172)	49,037	(11,135)
Net liability position	(28,869)	-	(28,869)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company actively manages its liquidity risk through strategies such as prudent capital spending, an active commodity risk management program and by continuously monitoring forecast and actual cash flows from operating, financing and investing activities. Management believes it will have sufficient funding to meet foreseeable liquidity requirements. The Company has the following maturities of financial liabilities at September 30, 2022:

(\$000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	137,589	144,748	-	-	282,337
Interest payments ⁽¹⁾	34,296	23,202	-	-	57,498
Promissory notes	-	872	-	-	872
Convertible notes	-	2,686	-	-	2,686
Lease liabilities ⁽²⁾	1,626	2,383	832	975	5,816
Gas processing contracts	943	1,886	1,886	6,915	11,630
Accounts payable	62,993	-	-	-	62,993
	237,447	175,777	2,718	7,890	423,832

⁽¹⁾ Represents cash interest payments on scheduled payment dates related to the Senior Term Loan, at the period end Canadian dollar bankers' acceptance rate.

⁽²⁾ Represents the remaining undiscounted minimum lease payments on the Company's lease liabilities.

Credit risk

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

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

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

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are conducted in Canada and are denominated in Canadian dollars. Canadian commodity prices are influenced by fluctuations in the Canada to United States dollar exchange rate. Prices for oil are determined in global markets and generally denominated in United States dollars. The Company is exposed to currency risk in relation to its US dollar denominated financial derivatives. A ten percent change in the US dollar would have resulted in a \$2.8 million change to net income (loss) before tax (December 31, 2021 – \$2.5 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated financial derivatives.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate from changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates based on Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by one percent would have changed net income (loss) by approximately \$1.2 million during the period ended September 30, 2022 (December 31, 2021 – \$0.2 million) assuming all other variables remain constant.

Price risk

The Company is exposed to price risk related to commodity and equity prices. Equity price risk is the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and 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.

15. COMMITMENTS

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

(\$000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	137,589	144,748	-	-	282,337
Interest payments ⁽¹⁾	34,296	23,202	-	-	57,498
Promissory notes	-	872	-	-	872
Convertible notes	-	2,686	-	-	2,686
Lease liabilities ⁽²⁾	1,626	2,383	832	975	5,816
Gas processing contracts	943	1,886	1,886	6,915	11,630
	174,454	175,777	2,718	7,890	360,839

⁽¹⁾ Represents cash interest payments on scheduled payment dates related to the Senior Term Loan, at the period end Canadian dollar bankers' acceptance rate.

⁽²⁾ Represents the remaining undiscounted minimum lease payments on the Company's lease liabilities.