SATURN OIL & GAS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at ($000s)	**September 30, 2023**	December 31, 2022
ASSETS		
Cash	**41,921**	10,256
Accounts receivable	**83,457**	40,920
Deposits and prepaid expenses	**16,654**	8,485
Financial derivatives (note 14)	**-**	1,974
Total current assets	**142,032**	61,635
Exploration and evaluation assets	**5,330**	5,633
Property, plant and equipment (note 4)	**1,176,306**	486,331
Right-of-use assets (note 5)	**7,419**	3,390
Deposit	**-**	21,101
Deferred tax asset	**45,184**	4,217
Financial derivatives (note 14)	**-**	600
Total assets	**1,376,271**	582,907
LIABILITIES		
Accounts payable	**113,990**	56,533
Senior Term Loan (note 8)	**249,817**	119,934
Lease liabilities (note 6)	**4,535**	1,358
Decommissioning obligations (note 7)	**5,283**	-
Financial derivatives (note 14)	**85,036**	46,372
Total current liabilities	**458,661**	224,197
Senior Term Loan (note 8)	**250,992**	120,909
Promissory note	**-**	828
Convertible notes	**1,076**	2,361
Decommissioning obligations (note 7)	**95,652**	52,626
Lease liabilities (note 6)	**2,384**	1,805
Warrant liability	**-**	2,020
Financial derivatives (note 14)	**93,614**	39,645
Total liabilities	**902,379**	444,391
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**292,388**	122,017
Contributed surplus (note 9)	**43,520**	14,740
Warrants (note 9)	**7,200**	30,142
Retained earnings (deficit)	**130,784**	(28,383)
Total shareholders' equity	**473,892**	138,516
Total liabilities and shareholders' equity	**1,376,271**	582,907

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)

	Three months ended September 30,		Nine months ended September 30,	
($000s, except per share amounts)	**2023**	2022	**2023**	2022
REVENUE				
Petroleum and natural gas sales (note 10)	**201,066**	105,728	**508,507**	256,399
Processing income (note 10)	**3,641**	721	**8,287**	2,121
Royalties	**(25,045)**	(12,680)	**(56,440)**	(36,618)
	179,662	93,769	**460,354**	221,902
Realized loss on derivatives (note 14)	**(18,455)**	(17,327)	**(30,155)**	(68,809)
Unrealized gain (loss) on derivatives	**(178,866)**	135,799	**(94,827)**	45,654
Other income (note 7)	**-**	7,004	**246**	11,085
	(17,659)	219,245	**335,618**	209,832
EXPENSES				
Operating	**52,293**	24,788	**143,416**	62,683
Transportation	**3,242**	607	**8,220**	1,621
General and administrative	**5,291**	2,491	**15,350**	5,471
Depletion depreciation and amortization	**39,618**	14,119	**105,536**	28,000
Share based payments (note 9)	**2,257**	107	**5,308**	463
Financing (note 11)	**29,321**	13,614	**80,210**	26,375
Foreign exchange (gain) loss	**49**	(1,742)	**181**	(1,118)
Loss on debt extinguishment (note 8)	**-**	4,575	**8,265**	11,458
Gain on warrant liability	**-**	(170)	**(2,020)**	(2,584)
Transaction costs (note 3)	**-**	1,226	**4,657**	1,226
Gain on acquisitions (note 3)	**-**	(9,777)	**(183,851)**	(15,500)
	132,071	49,838	**185,272**	118,095
Income (loss) before income taxes	**(149,730)**	169,407	**150,346**	91,737
Deferred income tax expense (recovery)	**(38,574)**	2,100	**(8,821)**	193
Net income (loss) and comprehensive income	**(111,156)**	167,307	**159,167**	91,544
Net income (loss) per share (note 9)				
Basic	**(0.80)**	2.89	**1.31**	2.34
Diluted	**(0.80)**	2.87	**1.27**	2.30

See accompanying notes to the condensed consolidated interim financial statements

SATURN OIL & GAS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

($000s)	Number of Shares	Share Capital	Contributed Surplus	Warrants	Retained earnings (deficit)	Total
Balance, December 31, 2021	25,165	45,609	12,922	14,361	(103,198)	(30,306)
Equity financings	34,199	95,763	-	-	-	95,763
Allocation to warrants	-	(14,679)	-	14,679	-	-
Cash share issue costs	-	(6,926)	-	-	-	(6,926)
Non-cash share issue costs	-	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**
Balance, December 31, 2022	59,892	122,017	14,740	30,142	(28,383)	138,516
Equity financings (note 9)	78,648	174,486	-	-	-	174,486
Convertible Note conversion	679	1,358	-	-	-	1,358
Share issue costs, net of tax recovery	-	(5,632)	-	-	-	(5,632)
Share based payments	-	-	6,028	-	-	6,028
Share based award exercises	94	159	(190)	-	-	(31)
Warrant expiry	-	-	22,942	(22,942)	-	-
Net income for the period	-	-	-	-	159,167	159,167
Balance, September 30, 2023	**139,313**	**292,388**	**43,520**	**7,200**	**130,784**	**473,892**

See accompanying notes to the condensed consolidated interim financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	2022	**2023**	2022
OPERATING ACTIVITIES				
Net income (loss) for the period	**(111,156)**	167,307	**159,167**	91,544
Items not affecting cash:				
Depletion, depreciation and amortization (notes 4,5)	**39,618**	14,119	**105,536**	28,000
Share based payments (note 9)	**2,257**	107	**5,308**	463
Deferred income tax expense (recovery)	**(38,574)**	2,100	**(8,821)**	193
Unrealized (gain) loss on financial derivatives (note 14)	**178,866**	(135,799)	**94,827**	(45,654)
Gain on warrant liability	**-**	(170)	**(2,020)**	(2,584)
Unrealized foreign exchange loss	**-**	1	**-**	46
Gain on acquisition (note 3)	**-**	(9,777)	**(183,851)**	(15,500)
Loss on debt extinguishment (note 8)	**-**	4,575	**8,265**	11,458
Non-cash financing expenses (note 11)	**5,466**	3,287	**15,050**	9,754
Other income (note 7)	**-**	(6,980)	**(226)**	(11,015)
Decommissioning expenditures (note 7)	**(3,393)**	(120)	**(5,288)**	(549)
Change in non-cash working capital (note 12)	**(2,618)**	(25,178)	**20,662**	(21,941)
Cash from operating activities	**70,466**	13,472	**208,609**	44,215
FINANCING ACTIVITIES				
Proceeds from Senior Term Loan, net of discount (note 8)	**-**	193,250	**365,625**	229,968
Debt issue costs (note 8)	**-**	(793)	**(4,222)**	(1,080)
Repayment of Senior Term Loan (note 8)	**(50,724)**	(12,286)	**(113,733)**	(24,523)
Proceeds from share issuance (note 9)	**-**	75,150	**125,001**	95,763
Share issue costs (note 9)	**-**	(5,258)	**(8,282)**	(6,926)
Repayment of notes	**-**	-	**(836)**	(32,081)
Share based award exercise (note 9)	**-**	270	**(31)**	1,051
Lease payments (note 6)	**(1,308)**	(454)	**(3,352)**	(1,266)
Change in non-cash working capital (note 12)	**-**	-	**567**	-
Cash from (used in) financing activities	**(52,032)**	249,879	**360,737**	260,906
INVESTING ACTIVITIES				
Acquisitions, net of cash acquired (note 3)	**-**	(240,070)	**(466,662)**	(247,562)
Property, plant and equipment (note 4)	**(35,202)**	(36,780)	**(72,721)**	(52,145)
Exploration and evaluation	**(69)**	(211)	**(678)**	(1,285)
Change in non-cash working capital (note 12)	**18,088**	37,059	**2,380**	24,500
Cash used in investing activities	**(17,183)**	(240,002)	**(537,681)**	(276,492)
Change in cash, during the period	**1,251**	23,349	**31,665**	28,629
Cash, beginning of period	**40,670**	7,695	**10,256**	2,415
Cash, end of period	**41,921**	31,044	**41,921**	31,044

Cash interest paid (note 11)

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PREPARATION

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, 2022. 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, 2022.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Company's Board of Directors on November 7, 2023.

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; military conflicts throughout the globe, 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, 2022 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, 2023, relative to those described in the most recent annual consolidated financial statements as at and for the year ended December 31, 2022.

3. ACQUISITION

Ridgeback Resources acquisition

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

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

($000s)	February 28, 2023
Fair value of net assets acquired:	
Cash	9,777
Net working capital deficit	(4,243)
Property, plant and equipment	718,829
Right-of-use asset	4,464
Deferred income tax asset	29,499
Net financial derivatives	(380)
Lease liability	(4,464)
Decommissioning obligations	(43,706)
Gain on acquisition	(183,851)
Total	**525,925**
Consideration:	
Cash	476,439
Common shares	49,486
Total	**525,925**

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

Petroleum and natural gas sales of $220.2 million and net income of $43.4 million are included in the statement of income (loss) and comprehensive income (loss) for the Ridgeback Acquisition since the closing date of February 28, 2023.

Had the Ridgeback Acquisition had occurred on January 1, 2023, the incremental petroleum and natural gas sales and net income for the period ended September 30, 2023, and the pro forma results would have been as follows:

($000s)	**As stated**	**Acquisition prior to close date**	*(Unaudited)* **Pro Forma**
Petroleum and natural gas sales	508,507	72,704	581,211
Net income	159,167	20,613	179,780

4. PROPERTY, PLANT AND EQUIPMENT

Cost ($000s)	**Oil and gas properties**	**Other assets**	**Total**
As at December 31, 2021	191,447	342	191,789
Additions	86,615	797	87,412
Acquisition	276,195	-	276,195
Change in decommissioning obligations	4,218	-	4,218
As at December 31, 2022	558,475	1,139	559,614
Additions	**73,090**	**351**	**73,441**
Acquisition (note 3)	**718,829**	**-**	**718,829**
Change in decommissioning obligations	**7**	**-**	**7**
As at September 30, 2023	**1,350,401**	**1,490**	**1,351,891**
Accumulated depletion, depreciation and amortization			
As at December 31, 2021	28,715	165	28,880
Depletion, depreciation and amortization	44,080	323	44,403
As at December 31, 2022	72,795	488	73,283
Depletion, depreciation and amortization	**101,900**	**402**	**102,302**
As at September 30, 2023	**174,695**	**890**	**175,585**
Net book value			
As at December 31, 2022	485,680	651	486,331
As at September 30, 2023	**1,175,706**	**600**	**1,176,306**

As at September 30, 2023, the calculation of depletion includes estimated forecasted future development costs relating to the development of proved and probable oil and gas reserves of $1,212.2 million (December 31, 2022 - $473.8 million). The Company capitalized $6.4 million of general and administrative costs for the period ended September 30, 2023 (December 31, 2022 - $2.2 million) and capitalized $0.7 million of share-based compensation expense for the period ended September 30, 2023 (December 31, 2022 - $0.2 million).

At September 30, 2023 and December 31, 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, 2021	3,354	1,349	4,703
Additions	290	246	536
As at December 31, 2022	3,644	1,595	5,239
Additions	**1,573**	**245**	**1,818**
Acquired (note 3)	**3,308**	**1,156**	**4,464**
As at September 30, 2023	**8,525**	**2,996**	**11,521**

Accumulated depreciation	**Offices**	**Vehicles**	**Total**
As at December 31, 2021	691	236	927
Depreciation	584	338	922
As at December 31, 2022	1,275	574	1,849
Depreciation	**1,614**	**639**	**2,253**
As at September 30, 2023	**2,889**	**1,213**	**4,102**

Net book value			
As at December 31, 2022	2,369	1,021	3,390
As at September 30, 2023	**5,636**	**1,783**	**7,419**

6. LEASES

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

($000s)	**September 30, 2023**	December 31, 2022
Balance, beginning of period	**3,163**	3,747
Acquired (note 3)	**4,464**	-
Additions	**1,818**	536
Lease payment	**(3,352)**	(1,654)
Interest expense	**826**	534
Carrying value, end of period	**6,919**	3,163
Current	**4,535**	1,358
Long-term	**2,384**	1,805

As at September 30, 2023, the estimated undiscounted cash flows required to settle the Company's lease liability was $12.3 million (December 31, 2022 - $6.5 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 $435.2 million (December 31, 2022 - $239.8 million) which has been inflated at 2.0% (December 31, 2022 - 2.0%) and discounted using the credit adjusted risk-free rate of 14.5% (December 31, 2022 - 14.5%) with an estimated timeline to abandoned between 1 and 53 years.

($000s)	**September 30, 2023**	December 31, 2022
Balance, beginning of period	**52,626**	47,296
Acquired (note 3)	**43,706**	7,966
Obligations incurred (note 4)	**25**	569
Change in estimates (note 4)	**(18)**	3,649
ASCP settlements	**(226)**	(13,639)
Cash settlements	**(5,288)**	(582)
Accretion	**10,110**	7,367
Balance, end of period	**100,935**	52,626
Current	**5,283**	-
Long-term	**95,652**	52,626

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

During the period ended September 30, 2023, Saturn was granted $0.2 million (December 31, 2022 - $13.6 million) from the Government of Saskatchewan through the Accelerated Site Closure Program ("ASCP") which has been recorded as other income in the statement of income.

8. SENIOR TERM LOAN

On February 28, 2023, the Company entered into an Amended and Restated Senior Term Loan Agreement with its senior secured lender and expanded the Senior Term Loan by $375.0 million to an aggregate principal amount of $608.2 million at an original issue discount of 2.5%. The loan will amortize over three years with the scheduled repayment dates as follows: February 28, 2023 to April 30, 2023 of $nil, May 1, 2023 to April 30, 2024 of $25.4 million per month, May 1, 2024 to April 30, 2025 of $15.2 million per month and May 1, 2025 to February 28, 2026 of $10.2 million per month. On September 29, 2023, the Company entered into an amending agreement with its senior secured lender thereby deferring scheduled repayments in September and December 2023 for the aggregate amount of $50.7 million, which shall become due and payable in full on the stated maturity date. All principal repayments are subject to an exit fee of 2.5% on the aggregate principal amount of any such payment. The Senior Term Loan bears interest at 11.5% per annum plus the applicable periodic Canadian dollar bankers' acceptance rate at a minimum rate of 1%. The amended Senior Term Loan has a stated maturity date of February 28, 2026.

Principal ($000s)	**September 30, 2023**	December 31, 2022
Balance, beginning of period	**245,479**	68,860
Additions	**375,000**	238,000
Repayments	**(113,733)**	(61,381)
Balance, end of period	**506,746**	245,479
Debt issue costs and discount		
Balance, beginning of period	**(4,636)**	(3,805)
Additions, original issue discount	**(9,375)**	(8,032)
Additions, debt issue costs	**(4,222)**	(1,080)
Acceleration on extinguishment	**8,265**	4,284
Amortization	**4,031**	3,997
Balance, end of period	**(5,937)**	(4,636)
Carrying value	**500,809**	240,843
Current	**249,817**	119,934
Long-term	**250,992**	120,909

Covenants

The Senior Term Loan is subject to various covenants on the part of the Company including limitations on certain types of activities, restrictions or requirements with respect to additional debt, liquidity, liens, asset sales, hedging activities, investments, dividends and mergers and acquisitions. As at September 30, 2023, Saturn was in compliance with all covenants pertaining to the Senior Term Loan. The following table summarizes the key financial covenants set forth in the credit agreement:

Covenant description	Covenant Ratio	September 30, 2023
PDP Asset Coverage Ratio Minimum(1)	1.75	2.38
Current Ratio Minimum(2)	1.00	1.19
First Lien Net Leverage Ratio Maximum(3)	1.75	1.19

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

(2) The ratio of (a) current assets; excluding financial derivatives, to (b) current liabilities; excluding the current portion of the Senior Term Loan, 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, 2023, the Company expanded its Senior Term Loan by $375.0 million in relation to the Ridgeback Acquisition. Accordingly, the pre-existing unamortized original issue discount and new debt issue costs were expensed in the period.

The following tables reconciles the loss on debt extinguishment:

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

Unsecured letter of credit facility

The Company has a $30.0 million unsecured demand letter of credit facility (the "LC Facility") with a syndicate of Canadian banks. Saturn's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is subject to annual renewal with the next scheduled renewal date of February 29, 2024. At September 30, 2023, $29.7 million was drawn under the LC Facility (December 31, 2022 - $nil).

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. As at September 30, 2023 there are 139,312,898 common shares outstanding.

Issued and outstanding

	September 30, 2023		December 31, 2022	
(000s)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**59,892**	**122,017**	25,165	45,609
Common shares issued for cash proceeds	**59,242**	**125,000**	34,199	95,763
Common shares issued as consideration	**19,406**	**49,486**	-	-
Convertible Note conversion	**679**	**1,358**		
Cash share issue costs, net of tax recovery	**-**	**(5,644)**	-	(3,638)
Non-cash share issue costs	**-**	**-**	-	(2,890)
Stock option exercise	**86**	**124**	150	502
Restricted share unit exercise	**8**	**35**	-	-
Broker option exercise	**-**	**-**	378	1,350
Allocation to warrants	**-**	**-**	-	(14,679)
Balance, end of period	**139,313**	**292,376**	59,892	122,017

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

As partial consideration for the Ridgeback Acquisition (note 3), the Company issued 19,406,167 common shares to the previous shareholders of Ridgeback.

Warrants

	September 30, 2023		December 31, 2022	
(000s, except per warrant price)	**Warrants**	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	**36,520**	**3.35**	15,607	3.20
Expired	**(29,649)**	**3.20**	-	-
Issued	**-**	**-**	20,913	3.46
Balance, end of period	**6,871**	**4.00**	36,520	3.35

As at September 30, 2023, the following TSX listed share purchase warrants are outstanding and exercisable:

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

Broker options

	September 30, 2023		December 31, 2022	
(000s, except per broker option price)	**Broker options**	**Weighted average exercise price**	Broker options	Weighted average exercise price
Balance, beginning of period	**2,532**	**2.71**	891	2.40
Expired	**(2,133)**	**2.67**	-	-
Issued	**-**	**-**	2,019	2.80
Exercised	**-**	**-**	(378)	2.40
Balance, end of period	**399**	**3.00**	2,532	2.71

As at September 30, 2023, the following broker options are outstanding and exercisable:

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

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

Stock options

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

	September 30, 2023		December 31, 2022	
(000s, except per option price)	**Stock options**	**Weighted average exercise price**	Stock options	Weighted average exercise price
Balance, beginning of period	**1,687**	**2.52**	1,982	2.49
Exercised	**(280)**	**0.19**	(150)	1.80
Expired	**(174)**	**3.74**	-	-
Forfeited/cancelled	**(144)**	**2.75**	(145)	2.81
Balance, end of period	**1,089**	**2.53**	1,687	2.52

As at September 30, 2023, the following stock options were outstanding and exercisable:

	Stock options outstanding			**Stock options exercisable**		
(000s, except per option price and life remaining)	**Number outstanding**	**Weighted average exercise price**	**Weighted average life remaining (years)**	**Number exercisable**	**Weighted average exercise price**	**Weighted average life remaining (years)**
2.00	125	2.00	1.8	125	2.00	1.8
2.01 - 2.40	624	2.40	2.5	524	2.40	2.5
2.41 - 3.00	340	2.95	1.9	290	2.96	1.7
	1,089	**2.53**	**2.2**	**939**	**2.52**	**2.1**

Restricted Share Units

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

(000s, except life remaining)	**September 30, 2023 RSUs**	December 31, 2022 RSUs
Balance, beginning of period	**45**	-
Issued	**2,524**	63
Exercised	**(15)**	-
Forfeited/Cancelled	**(187)**	(18)
Balance, end of period	**2,367**	45
Weighted average life remaining (years)	**1.5**	2.1

Performance share units

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

(000s, except life remaining)	**September 30, 2023** **PSUs**	December 31, 2022 PSUs
Balance, beginning of period	**-**	-
Issued	**667**	-
Balance, end of period	**667**	-
Weighted average life remaining (years)	**0.8**	-

Performance warrants

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

	September 30, 2023		December 31, 2022	
(000s, except per performance warrant	**Performance**	**Weighted average**	Performance	Weighted average
Balance, beginning of period	**-**	**-**	-	-
Issued	**7,000**	**2.50**	-	-
Balance, end of period	**7,000**	**2.50**	-	-

As at September 30, 2023, the following performance warrants were outstanding:

(000s, except per performance warrant price, years and VWAP)	**Performance warrants outstanding**			**Performance warrants exercisable**		
Exercise Price	**Number outstanding**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**	**Number exercisable**	**Vesting threshold VWAP**	**Weighted average life remaining (years)**
2.50	2,333	4.00	6.3	-	-	-
2.50	2,333	6.00	6.3	-	-	-
2.50	2,334	8.00	6.3	-	-	-
	7,000		**6.3**	**-**	**-**	**-**

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

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

Per share amounts

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

	Three months ended September 30,		Nine months ended September 30,	
(000s, except per share amounts)	**2023**	2022	**2023**	2022
Weighted average shares outstanding				
Basic	**139,261**	57,907	**121,821**	39,168
Diluted	**142,382**	58,336	**124,905**	39,769
Per share income (loss)				
Basic	**(0.80)**	2.89	**1.31**	2.34
Diluted	**(0.80)**	2.87	**1.27**	2.30

10. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Crude oil	**184,952**	103,695	**472,123**	251,031
NGLs	**8,800**	1,125	**19,890**	3,356
Natural gas	**7,314**	908	**16,494**	2,012
Petroleum and natural gas sales	**201,066**	105,728	**508,507**	256,399
Processing income	**3,641**	721	**8,287**	2,121
	204,707	106,449	**516,794**	258,520

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, 2023 is $68.8 million (December 31, 2022 - $36.3 million) of accrued petroleum and natural gas sales related to September 30, 2023 production.

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

11. FINANCING

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Interest expense	**24,384**	10,592	**66,718**	16,888
Interest revenue	**(529)**	(265)	**(1,558)**	(267)
Interest expense, paid in kind	**-**	-	**-**	570
Amortization of original issue discount and debt issue costs	**1,508**	1,113	**4,031**	3,139
Accretion, debt instruments	**13**	65	**83**	175
Accretion, leases (note 6)	**283**	131	**826**	411
Accretion, decommissioning obligations (note 7)	**3,662**	1,978	**10,110**	5,459
Financing expenses	**29,321**	13,614	**80,210**	26,375

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Change in non-cash working capital:				
Accounts receivable	**(13,773)**	(17,736)	**(42,537)**	(29,029)
Deposits and prepaid expenses	**(1,605)**	10,745	**12,932**	(2,555)
Accounts payable	**30,848**	18,872	**57,457**	34,143
Non-cash working capital deficit acquired	**-**	-	**(4,243)**	-
	15,470	11,881	**23,609**	2,559
Related to:				
Operating activities	**(2,618)**	(25,178)	**20,662**	(21,941)
Financing activities	**-**	-	**567**	-
Investing activities	**18,088**	37,059	**2,380**	24,500
Total change in non-cash working capital	**15,470**	11,881	**23,609**	2,559

13. CAPITAL MANAGEMENT

The Company manages its capital to safeguard its ability to continue as a going concern, so that it may provide adequate returns to shareholders, benefits to other stakeholders and have sufficient funds on hand for business opportunities as they arise. The Company’s capital structure may be adjusted by issuing or repurchasing equity instruments, issuing or repurchasing debt, modifying capital spending programs and disposing of assets; the availability of any such means being dependent upon market conditions. Management reviews its approach to capital management on an ongoing basis and believes that this approach is appropriate. The Company uses the terms adjusted EBITDA, adjusted funds flow, free funds flow, net debt, capital expenditures and adjusted working capital as key capital management measures which are described and calculated below. These capital management measures are not standardized and therefore may not be comparable with the calculation of similar measures by other entities. There were no changes in the Company's approach to capital management during the period ended September 30, 2023.

Adjusted EBITDA

The Company considers adjusted EBITDA to be a key capital management measure as it is both used within certain financial covenants prescribed under the Company's Senior Term Loan (note 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 or extraordinary items.

Adjusted funds flow

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

Free funds flow

The Company considers free funds flow to be a key capital management measure as it is used to determine the efficiency and liquidity of Saturn’s business, measuring its funds available after capital investment available for debt repayment, pursue acquisitions and gauge optionality to pay dividends and/or return capital to shareholders through share repurchases. Saturn calculates Free funds flow as Adjusted funds flow in the period less expenditures on property, plant and equipment and exploration and evaluation assets, together “capital expenditures”. By removing the impact of current period capital expenditures from adjusted funds flow, management monitors its free funds flow to inform its capital allocation decisions.

The following table reconciles adjusted EBITDA, adjusted funds flow and free funds flow to cash flow from operating activities:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2023**	2022	**2023**	2022
Cash flow from operating activities	**70,466**	13,472	**208,609**	44,215
Change in non-cash working capital	**2,618**	25,178	**(20,662)**	21,941
Decommissioning expenditures	**3,393**	120	**5,288**	549
Transaction costs	**-**	1,226	**4,657**	1,226
Net interest(1)	**23,855**	10,327	**65,160**	16,622
Adjusted EBITDA	**100,332**	50,323	**263,052**	84,553
Net interest(1)	**(23,855)**	(10,327)	**(65,160)**	(16,622)
Adjusted funds flow	**76,477**	39,996	**197,892**	67,931
Capital expenditures(2)	**(35,271)**	(36,991)	**(73,399)**	(53,430)
Free funds flow	**41,206**	3,005	**124,493**	14,501

(1) Calculated as interest expense, net of interest revenue.

(2) Calculated as expenditures on Property, plant and equipment and exploration and evaluation assets on the condensed consolidated interim statements of cash flows.

Market capitalization and net debt

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

($000s)	**September 30, 2023**	December 31, 2022
Total common shares outstanding (000s)	**139,313**	59,892
Share price(1)	**2.86**	2.35
Total market capitalization	**398,435**	140,746
Adjusted working capital(2)	**(28,042)**	(3,128)
Senior Term Loan	**500,809**	240,843
Convertible notes	**1,076**	2,361
Long-term deposit	**-**	(21,101)
Promissory notes	**-**	828
Net debt	**473,843**	219,803
Annualized quarterly adjusted funds flow	**305,908**	202,916
Net debt to annualized quarterly adjusted funds flow	**1.5x**	1.1x

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

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

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 $105.0 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, 2023:

	WTI Collars				WTI Swaps				WTI/MSW Differential			
Period	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl	Volume bbls/d	Price[1] US/bbl	Volume bbls/d	Price[1] CA/bbl
Q4	2,168	50.66-60.3	3,000	96.67-106.	3,665	71.73	4,579	105.73	4,192	(5.70)	7,987	(5.07)
Q1	2,103	50.63-56.4	-	-	3,490	65.31	7,046	102.49	-	-	11,583	(5.46)
Q2	2,044	50.61-56.4	-	-	3,332	65.01	6,604	101.59	-	-	11,020	(6.25)
Q3	1,992	50.63-56.4	-	-	3,173	64.67	6,227	97.99	-	-	7,142	(6.25)
Q4	1,923	50.56-56.3	-	-	3,054	64.50	5,901	97.39	-	-	-	-
Q1	1,818	50.38-54.6	-	-	2,978	60.50	5,663	93.40	-	-	-	-
Q2	1,771	55.14-59.0	-	-	2,871	63.22	4,680	91.80	-	-	-	-
Q3	1,729	65.00-68.1	-	-	2,753	69.05	4,483	88.72	-	-	-	-
Q4	1,684	65.00-68.1	-	-	2,637	68.99	4,304	88.72	-	-	-	-
Q1	1,080	65.00-68.1	-	-	3,077	67.21	4,156	85.22	-	-	-	-
Q2	-	-	-	-	4,028	67.30	3,989	85.22	-	-	-	-
Q3	-	-	-	-	-	-	7,735	82.86	-	-	-	-
Q4	-	-	-	-	-	-	7,467	82.86	-	-	-	-
Q1	-	-	-	-	-	-	5,150	79.85	-	-	-	-

(1) Weighted average prices for the period.

Financial derivative assets and liabilities are only offset if the Company has the legal right to offset and intends to settle on a net basis. The Company offsets financial instrument assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivative commodity contracts that are offset on the statements of financial position as at September 30, 2023:

($000s)	Gross financial derivative instruments	Amount offset	Net financial derivative instruments
Current asset	2,467	(2,467)	-
Long term asset	6,614	(6,614)	-
Current liability	(87,503)	2,467	(85,036)
Long term liability	(100,228)	6,614	(93,614)
Net liability position	**(178,650)**	**-**	**(178,650)**

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, 2023:

($000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	253,556	253,191	-	-	506,747
Interest payments[1]	70,830	41,449	-	-	112,279
Convertible notes	-	1,204	-	-	1,204
Lease liabilities[2]	5,219	5,407	1,120	609	12,355
Gas processing contracts	3,939	4,425	2,024	5,972	16,360
Accounts payable	113,990	-	-	-	113,990
	447,534	**305,676**	**3,144**	**6,581**	**762,935**

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

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

Credit risk

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

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

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 $17.8 million change to net income (loss) before tax (December 31, 2022 – $8.9 million) assuming all other variables remain constant. The exposure of realized prices fluctuations of the US dollar and Canadian dollar exchange rate, serves as natural hedges to the US dollar denominated financial derivatives.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate from changes in market interest rates. The interest charged on the Senior Term Loan fluctuates with the interest rates based on Canadian dollar bankers' acceptance rates. The Company is exposed to interest rate risk related to the unpaid principal balance outstanding on the Senior Term Loan. A change in Canadian dollar bankers' acceptance rates by one percent would have changed net income (loss) by approximately $0.9 million during the period ended September 30, 2023 (December 31, 2022 – $2.1 million) assuming all other variables remain constant.

Price risk

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

Net debt and capital structure

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

($000s)	**September 30, 2023**	December 31, 2022
Net debt	**473,843**	219,803
Shareholders' equity	**473,892**	138,516
Total capitalization	**947,735**	358,319

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

15. COMMITMENTS

The Company has the following contractual obligations and commitments as at September 30, 2023:

($000s)	Less than 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Senior Term Loan	253,556	253,191	-	-	506,747
Interest payments[(1)]	70,830	41,449	-	-	112,279
Convertible notes	-	1,204	-	-	1,204
Lease liabilities[(2)]	5,219	5,407	1,120	609	12,355
Gas processing contracts	3,939	4,425	2,024	5,972	16,360
	333,544	**305,676**	**3,144**	**6,581**	**648,945**

(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.