SPARTAN DELTA CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

AS AT AND FOR THE YEARS ENDED

DECEMBER 31, 2021 AND 2020

FINANCIAL AND OPERATING HIGHLIGHTS

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2021	2020	%	Year ended December 31 2021	2020	%
FINANCIAL HIGHLIGHTS						
Oil and gas sales	**296,425**	45,206	556	**608,142**	96,324	531
Net income and comprehensive income	**128,455**	12,358	939	**334,220**	47,663	601
$ per share, basic	**0.84**	0.21	300	**2.89**	1.06	173
$ per share, diluted	**0.76**	0.18	322	**2.50**	0.86	191
Cash provided by operating activities	**147,975**	16,064	821	**279,766**	32,209	769
Adjusted Funds Flow (2)	**137,026**	16,796	716	**293,986**	32,487	805
$ per share, basic	**0.89**	0.29	207	**2.54**	0.72	253
$ per share, diluted	**0.80**	0.24	233	**2.18**	0.59	269
Free Funds Flow (2)	**21,344**	2,793	664	**105,011**	15,667	570
Cash used in investing activities	**98,225**	6,221	1,479	**925,713**	113,100	718
Capital Expenditures, before A&D (2)	**115,682**	14,003	726	**188,975**	16,820	1,024
Adjusted Net Capital Acquisitions (2)	**(1,437)**	343	(519)	**956,763**	109,049	777
Total assets	**1,742,414**	331,430	426	**1,742,414**	331,430	426
Long-term debt	**387,564**	-	-	**387,564**	-	-
Net Debt (2)	**458,259**	12,292	3,628	**458,259**	12,292	3,628
Net Debt to Trailing AFF Ratio (2)	**0.8x**	0.2x	-	**0.8x**	0.2x	-
Shareholders' equity	**886,649**	137,540	545	**886,649**	137,540	545
Common shares outstanding, end of year (000s) (3)	**153,214**	58,226	163	**153,214**	58,226	163
OPERATING HIGHLIGHTS						
Average daily production						
Crude oil (bbls/d)	**11,450**	332	3,349	**4,697**	196	2,296
Condensate (bbls/d) (1)	**2,373**	1,131	110	**1,924**	656	193
NGLs (bbls/d) (1)	**13,576**	6,728	102	**9,120**	3,965	130
Natural gas (mcf/d)	**270,176**	106,912	153	**191,596**	63,625	201
BOE/d	**72,428**	26,010	178	**47,674**	15,421	209
Average realized prices, before financial instruments						
Crude oil ($/bbl)	**91.38**	47.95	91	**86.48**	46.03	88
Condensate ($/bbl) (1)	**96.63**	54.46	77	**85.15**	51.39	66
NGLs ($/bbl) (1)	**44.39**	18.35	142	**37.11**	16.74	122
Natural gas ($/mcf)	**4.97**	2.72	83	**3.95**	2.42	63
Combined average ($/BOE)	**44.48**	18.89	135	**34.95**	17.07	105
Operating Netbacks ($/BOE) (2)						
Oil and gas sales	**44.48**	18.89	135	**34.95**	17.07	105
Processing and other revenue	**0.36**	0.66	(45)	**0.54**	0.60	(10)
Royalties	**(4.91)**	(2.01)	144	**(3.83)**	(1.57)	144
Operating expenses	**(7.52)**	(5.68)	32	**(6.61)**	(6.11)	8
Transportation expenses	**(2.41)**	(1.37)	76	**(2.00)**	(1.36)	47
Operating Netback, before hedging ($/BOE) (2)	**30.00**	10.49	186	**23.05**	8.63	167
Operating Netback, after hedging ($/BOE) (2)	**23.36**	9.59	144	**19.40**	8.46	129
Adjusted Funds Flow Netback ($/BOE) (2)	**20.56**	7.02	193	**16.90**	5.76	193

(1) Condensate is a natural gas liquid as defined by NI 51-101. See "Other Measurements".
(2) "Operating Netback", "Adjusted Funds Flow", "Free Funds Flow", "Capital Expenditures, before A&D", "Adjusted Net Capital Acquisitions", "Net Debt" and "Net Debt to Trailing AFF Ratio" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures and Ratios" section of this MD&A.
(3) Refer to "Share Capital" section of this MD&A.

INTRODUCTION

Spartan Delta Corp. ("Spartan" or the "Company") was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. Common shares of Spartan are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "SDE". The Company's head office is located at 1500, 308 – 4th Avenue S.W., Calgary, Alberta T2P 0H7. The registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

The following Management's Discussion and Analysis ("**MD&A**") has been prepared by management as of March 8, 2022, in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Requirements* ("**NI 51-102**"). This MD&A should be read in conjunction with the Company's audited consolidated annual financial statements and related notes for the years ended December 31, 2021 and 2020 (the "**Annual Financial Statements**"). The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company and is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company's activities, including Spartan's Annual Information Form for the year ended December 31, 2021 (the "**AIF**"), can be found on SEDAR at www.sedar.com and the Company's website at www.spartandeltacorp.com.

Background on Strategic Acquisitions

The Company was recapitalized and appointed a new management team and new board of directors on December 19, 2019. Spartan closed its first transformational acquisition on June 1, 2020 for total consideration of $108.8 million (the "**BXE Asset Acquisition**") which repositioned the Company from a junior producer of approximately 250 BOE per day to an intermediate energy company with a growth strategy focused on the acquisition and sustainable development of underexploited and undercapitalized assets. Production from the acquired assets was approximately 25,000 BOE per day (70% natural gas) at the time of the acquisition and is concentrated in the Deep Basin of west central Alberta. In addition to working interest ownership in strategic infrastructure, the acquisition also included a large land base with an extensive inventory of drilling locations, targeting liquids-rich natural gas and light oil in the Spirit River and Cardium formations. For the previous year ended December 31, 2020, Spartan's net income and cash flows only include results of operations related to the acquired assets for the period from closing the BXE Asset Acquisition on June 1, 2020.

Spartan continued to execute on its acquisitive growth strategy during 2021 and closed a series of corporate and property acquisitions which established a second core development area targeting the Montney in northwest Alberta. On March 18, 2021, the Company acquired Inception Exploration Ltd. ("**Inception**") with core assets located at Gold Creek for total consideration of $121.0 million including net debt (the "**Inception Acquisition**") and acquired assets located primarily in the Simonette area for $20.5 million (the "**Simonette Acquisition**"). The Inception Acquisition and Simonette Acquisition together added approximately 8,125 BOE per day of production at the time of closing. Spartan also completed several smaller tuck-in acquisitions to build upon the Company's core land holdings in the Alberta Montney and Deep Basin, including an acquisition of producing assets at Ferrier for $35.8 million, net of working capital, which closed on September 3, 2021 (the "**Ferrier Acquisition**").

On August 31, 2021, Spartan closed the acquisition of Velvet Energy Ltd. ("**Velvet**"), a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr, and Pouce Coupe areas of northwest Alberta, for total consideration of approximately $754.7 million including estimated net debt (the "**Velvet Acquisition**"). The Velvet Acquisition, which added production of approximately 21,300 BOE per day (51% oil and NGLs) on acquisition, was a major milestone in the Company's business strategy and positioned Spartan as the largest producer and acreage holder in the oil window of Canada's Montney fairway.

The acquisition of Velvet completed the strategic platform that Spartan had been building and marked the beginning of the next phase of the Company's development. While Spartan will continue to take advantage of select acquisition opportunities as they may arise, the near-term focus is execution of the Company's organic drilling program.

Unless otherwise noted, the financial information in this MD&A has been prepared in accordance with Canadian generally accepted accounting principals ("GAAP") also known as International Financial Reporting Standards ("IFRS"). This MD&A contains forward-looking statements, non-GAAP measures and other non-financial measures. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosures under the headings "Non-GAAP Measures and Ratios", "Other Measurements", "Risk and Uncertainties" and "Forward-Looking Statements" included in this MD&A. All dollar amounts are quoted in thousands of Canadian dollars (CA$), the reporting and functional currency of the Company, unless otherwise indicated.

NON-GAAP MEASURES AND RATIOS

This MD&A contains certain financial measures and ratios, as described below, which do not have standardized meanings prescribed by IFRS or GAAP. As these non-GAAP financial measures and ratios are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

The non-GAAP financial measures and ratios used in this MD&A, represented by the bolded, capitalized and defined terms outlined below, are used by Spartan as key measures of financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS.

Operating Income and Operating Netback

Operating Income, a non-GAAP financial measure, is a useful supplemental measure that provides an indication of the Company's ability to generate cash from field operations, prior to administrative overhead, financing and other business expenses. "**Operating Income, before hedging**" is calculated by Spartan as oil and gas sales, net of royalties, plus processing and other revenue, less operating and transportation expenses. "**Operating Income, after hedging**" is calculated by adjusting Operating Income for: (i) realized gains or losses on derivative financial instruments including settlements on acquired derivative financial instrument liabilities (together a non-GAAP financial measure "**Settlements on Commodity Derivative Contracts**"), and (ii) pipeline transportation revenue, net of pipeline transportation expense (the "**Net Pipeline Transportation Margin**"). The Company refers to Operating Income expressed per unit of production as an "**Operating Netback**" and reports the Operating Netback before and after hedging, both of which are non-GAAP financial ratios. Spartan considers Operating Netback an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.

The components of Spartan's Operating Income and Operating Netbacks are outlined below:

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Oil and gas sales, net of royalties	**263,687**	40,397	553	**541,503**	87,450	519
Processing and other revenue	**2,405**	1,578	52	**9,317**	3,389	175
Operating expenses	**(50,125)**	(13,583)	269	**(115,011)**	(34,476)	234
Transportation expenses	**(16,081)**	(3,288)	389	**(34,738)**	(7,665)	353
Operating Income, before hedging	**199,886**	25,104	696	**401,071**	48,698	724
Settlements on Commodity Derivative Contracts	**(42,551)**	(2,164)	1,866	**(61,376)**	(958)	6,307
Net Pipeline Transportation Margin	**(1,685)**	-	-	**(2,083)**	-	-
Operating Income, after hedging	**155,650**	22,940	579	**337,612**	47,740	607
Production (BOE)	**6,663,389**	2,392,908	178	**17,400,667**	5,644,037	208
Operating Netback, before hedging ($/BOE)	**30.00**	10.49	186	**23.05**	8.63	167
Operating Netback, after hedging ($/BOE)	**23.36**	9.59	144	**19.40**	8.46	129

A reconciliation of Settlements on Commodity Derivative Contracts to the realized loss and settlements of acquired liabilities is provided under the heading "Results of Operations - Commodity Price Risk Management" in this MD&A. The components of the Net Pipeline Transportation Margin are also detailed therein.

Funds from Operations, Adjusted Funds Flow, and Free Funds Flow

"**Funds from Operations**" is calculated by Spartan as cash provided by operating activities before changes in non-cash working capital. Spartan believes Funds from Operations provides useful information to understand the cash flows generated by the Company's operations during the current production period excluding the impact of timing of payments and cash receipts.

"**Adjusted Funds Flow**" is calculated by Spartan by adding back transaction costs on acquisitions and deducting lease payments from Funds from Operations. Spartan utilizes Adjusted Funds Flow as a key performance measure in the Company's annual financial forecasts and public guidance. Transaction costs, which primarily include legal and financial advisory fees, regulatory and other expenses directly attributable to execution of acquisitions, are added back because the Company's definition of Free Funds Flow excludes capital expenditures related to acquisitions and dispositions ("**A&D**"). For greater clarity, incremental overhead expenses related to ongoing integration and restructuring post-acquisition are not adjusted and are included in Spartan's general and administrative expenses. Spartan does not include lease liabilities in its definition of Net Debt (non-GAAP measure defined herein) therefore lease payments are deducted in the period incurred to determine Adjusted Funds Flow. The Company refers to Adjusted Funds Flow expressed per unit of production as an "**Adjusted Funds Flow Netback**".

"**Free Funds Flow**" is calculated by Spartan as Adjusted Funds Flow less Capital Expenditures, before A&D, which is also a non-GAAP financial measure (defined herein). Spartan believes Free Funds Flow provides an indication of the amount of funds the Company has available for future capital allocation decisions such as to repay long-term debt, reinvest in the business or return capital to shareholders.

The following table reconciles cash provided by operating activities, as determined in accordance with IFRS, to Funds from Operations, Adjusted Funds Flow and Free Funds Flow:

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Cash provided by operating activities	**147,975**	16,064	821	**279,766**	32,209	769
Change in non-cash operating working capital	**(8,509)**	2,175	(491)	**18,078**	1,385	1,205
Funds from Operations	**139,466**	18,239	665	**297,844**	33,594	787
Add back: transaction costs	**(71)**	7	nm	**4,002**	2,285	75
Deduct: lease payments	**(2,369)**	(1,450)	63	**(7,860)**	(3,392)	132
Adjusted Funds Flow	**137,026**	16,796	716	**293,986**	32,487	805
Deduct: Capital Expenditures, before A&D (1)	**(115,682)**	(14,003)	726	**(188,975)**	(16,820)	1,024
Free Funds Flow	**21,344**	2,793	664	**105,011**	15,667	570

(1) Includes capital expenditures on exploration and evaluation assets and property, plant and equipment, see page 7.

Adjusted Funds Flow per share

Adjusted Funds Flow ("**AFF**") per share is a non-GAAP financial ratio used by the Spartan as a key performance indicator. AFF per share is calculated using the same methodology as net income per share ("**EPS**"), however the diluted weighted average common shares ("**WA Shares**") outstanding for AFF may differ from the diluted weighted average determined in accordance with IFRS for purposes of calculating EPS due to non-cash items that impact net income only. The dilutive impact of stock options and share awards is more dilutive to AFF than EPS because the number of shares deemed to be repurchased under the treasury stock method is not adjusted for unrecognized share based compensation expense as it is non-cash. For periods in which the convertible promissory note was outstanding, it was always dilutive to AFF per share but could be antidilutive to EPS because of the non-cash change in fair value recognized through net income (see also, "Share Capital").

The table below outlines the calculation of AFF per share:

	Three months ended December 31			Year ended December 31		
(CA$ thousands, except for share amounts)	**2021**	2020	%	**2021**	2020	%
Adjusted Funds Flow	**137,026**	16,796	716	**293,986**	32,487	805
WA Shares outstanding (000s) – basic	**153,128**	58,220	163	**115,555**	44,848	158
WA Shares outstanding (000s) – diluted AFF	**170,220**	68,859	147	**134,787**	55,403	143
AFF per share						
Basic ($ per common share)	**0.89**	0.29	207	**2.54**	0.72	253
Diluted ($ per common share)	**0.80**	0.24	233	**2.18**	0.59	269

Net Debt (Surplus) and Adjusted Working Capital

Throughout this MD&A, references to "**Net Debt**" or "**Net Surplus**" includes long-term debt, net of Adjusted Working Capital. Net Debt (Surplus) and Adjusted Working Capital are both non-GAAP financial measures. "**Adjusted Working Capital**" is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities, lease liabilities, and the deferred premium on flow through shares (if applicable). As at December 31, 2021 and 2020, the Adjusted Working Capital deficit includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities and the current portion of decommissioning obligations.

The Company believes its presentation of Adjusted Working Capital and Net Debt are useful as supplemental measures because lease liabilities and derivative financial instrument assets and liabilities relate to contractual obligations for future production periods. Lease payments and cash receipts or settlements on derivative financial instruments are included in Spartan's reported Adjusted Funds Flow in the production month to which the obligation relates.

Spartan uses Net Debt (Surplus) as a key performance measure in its "Outlook and Guidance" to manage the Company's targeted debt levels. Net Debt (Surplus) is used by the Company as a measure of its financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS – refer to "Capital Resources and Liquidity".

(Assets) Liabilities – *CA$ thousands*	**December 31, 2021**	December 31, 2020
Cash	**(1,245)**	(2,686)
Accounts receivable	**(96,741)**	(20,475)
Prepaid expenses and deposits	**(5,104)**	(1,529)
Other current assets	**(6,800)**	-
Accounts payable and accrued liabilities	**176,971**	34,149
Current portion of decommissioning obligations	**3,614**	2,833
Adjusted Working Capital deficit	**70,695**	12,292
Long-term debt	**387,564**	-
Net Debt	**458,259**	12,292

In addition, Spartan has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. The Company's total lease liability is $54.8 million as at December 31, 2021 (2020 – $49.8 million), of which $10.2 million of the principal amount is expected to be settled within the next twelve months.

References to "**Cash Financing Expenses**" includes interest and fees on long-term debt, net of interest income, and excludes financing costs related to lease liabilities and accretion of decommissioning obligations. Cash Financing Expenses is a non-GAAP financial measure used by Spartan in its budget and public guidance as it corresponds to the Company's definition of Net Debt, however it should not be viewed as an alternative to total financing expenses presented in accordance with IFRS.

Net Debt to Trailing AFF Ratio

The Company monitors its capital structure and short-term financing requirements using a "**Net Debt to Trailing AFF Ratio"**, which is a non-GAAP financial ratio calculated as the Company's Net Debt relative to its Trailing Adjusted Funds Flow. "**Trailing Adjusted Funds Flow**" is calculated by annualizing Adjusted Funds Flow for the most recently completed quarter. The Company's definition of Adjusted Funds Flow is reported net of cash lease payments in the period therefore Spartan believes Adjusted Funds Flow is an appropriate metric to compare relative to its Net Debt which does not include lease liabilities.

Management believes that this ratio provides investors with information to understand the Company's liquidity risk and its ability to repay long-term debt and fund future capital expenditures.

(CA$ thousands)	**2021**	2020
Adjusted Funds Flow for the fourth quarter	**137,026**	16,796
Factor to Annualize	**4**	4
Trailing Adjusted Funds Flow	**548,104**	67,184
Net Debt	**458,259**	12,292
Trailing Adjusted Funds Flow	**548,104**	67,184
Net Debt to Trailing AFF Ratio	**0.8x**	0.2x

See also, "Capital Resources and Liquidity".

Capital Expenditures

Spartan uses "**Capital Expenditures, before A&D**" to measure its capital investment level compared to the Company's annual budgeted capital expenditures for its organic drilling program, excluding acquisitions or dispositions. "**Capital Expenditures**" is calculated by adding cash acquisition costs, net of proceeds from dispositions to Capital Expenditures, before A&D. The directly comparable GAAP measure is cash used in investing activities. The following table details the composition of capital expenditures and its reconciliation to cash used in investing activities:

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2021**	2020	**2021**	2020
Exploration and evaluation assets	**10,434**	151	**18,140**	1,302
Property, plant and equipment	**105,248**	13,852	**170,835**	15,518
Capital Expenditures, before A&D	**115,682**	14,003	**188,975**	16,820
Acquisitions	**253**	431	**423,972**	109,213
Dispositions	**-**	(88)	**(453)**	(164)
Capital Expenditures	**115,935**	14,346	**612,494**	125,869
Corporate acquisitions, repayment of debt	**-**	-	**352,488**	-
Corporate acquisitions, cash acquired	**(1,570)**	-	**(24,634)**	-
Change in non-cash investing working capital	**(16,140)**	(8,125)	**(14,635)**	(12,769)
Cash used in investing activities	**98,225**	6,221	**925,713**	113,100

Adjusted Net Capital Acquisitions and Total Consideration including Net Debt

The acquisitions completed by Spartan during 2021 were financed by a combination of cash, the issuance of common shares and a convertible promissory note, as well as indebtedness assumed or repaid in respect of corporate acquisitions. The Company discloses "**Total Consideration including Net Debt**" in respect of acquisitions and because it is more representative of the total transaction value. Similarly, "**Adjusted Net Capital Acquisitions**" is useful as it provides a measure of cash, debt and share consideration used to acquire crude oil and natural gas assets during the period, net of cash proceeds received on dispositions. Adjusted Net Capital Acquisitions is also used in the determination of "Finding, Development and Acquisition" costs, which is a non-GAAP financial ratio disclosed in the Company's press release dated February 15, 2022.

The most directly comparable GAAP measures are acquisition costs and disposition proceeds included as components of cash used in investing activities, as outlined above. The following table details the calculations of "Total Consideration including Net Debt" in respect of acquisitions and "Adjusted Net Capital Acquisitions", using acquisition costs as the starting point:

	Three months ended December 31		Year ended December 31	
(CA$ thousands)	**2021**	2020	**2021**	2020
Acquisitions	**253**	431	**423,972**	109,213
Add non-cash consideration:				
Common share consideration	**-**	-	**120,494**	-
Convertible promissory note	**-**	-	**25,293**	-
Net Debt assumed on corporate acquisitions	**(1,690)**	-	**387,457**	-
Total Consideration including Net Debt	**(1,437)**	431	**957,216**	109,213
Less: Dispositions	**-**	(88)	**(453)**	(164)
Adjusted Net Capital Acquisitions	**(1,437)**	343	**956,763**	109,049

OTHER MEASUREMENTS

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. This MD&A contains various references to the abbreviation "**BOE**" which means barrels of oil equivalent. Where amounts are expressed on a BOE basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is significantly different than the value ratio based on the current price of crude oil and natural gas. This conversion factor is an industry accepted norm and is not based on either energy content or current prices. Such abbreviation may be misleading, particularly if used in isolation.

Throughout this MD&A, "crude oil" or "oil" refers to light and medium crude oil product types as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Condensate is a natural gas liquid as defined by NI 51-101. References to "natural gas liquids" or "NGLs" throughout this MD&A comprise pentane, butane, propane and ethane, being all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately. References to "gas" relates to natural gas.

2021 REVIEW AND 2022 OUTLOOK

Through effective integration of the acquisitions and successful execution of the Company's Montney and Deep Basin drilling programs, Spartan delivered strong financial and operating results for 2021. The Company generated $294 million of Adjusted Funds Flow which exceeded guidance by $43 million or 17%. The Adjusted Funds Flow beat was driven by fourth quarter production which significantly outpaced previous estimates due to earlier than forecasted on-stream dates and the decision to accelerate certain capital expenditures. The Company realized higher operating netbacks in conjunction with strong oil prices, partly offset by higher operating expenses. During 2021, WTI averaged US$67.91 per barrel and exceeded the Company's forecast by 2% or US$1.46 per barrel on average. The average AECO 5A natural gas benchmark price of $3.44 per GJ in 2021 was in line with guidance.

The table below summarizes Spartan's actual results for the year ended December 31, 2021, compared to the revised financial and operating guidance published in the Company's press release dated August 31, 2021 ("**2021 Guidance**"):

Year ended December 31, 2021	2021 Results	2021 Guidance	Variance (1) Amount	%
Average Production (BOE/d) (1)	**47,674**	44,000 – 46,000	2,674	6
% Oil and NGLs	**33%**	33%	-	-
Benchmark Average Commodity Prices				
WTI oil price (US$/bbl)	**67.91**	66.45	1.46	2
AECO 5A natural gas price ($/GJ)	**3.44**	3.45	(0.01)	-
Average exchange rate (CA$/US$)	**1.25**	1.25	-	-
Operating Netback, before hedging ($/BOE) (2)	**23.05**	21.43	1.62	8
Operating Netback, after hedging ($/BOE) (2)	**19.40**	18.05	1.35	7
Settlements on Commodity Derivative Contracts ($MM) (2)	**(61)**	(56)	(5)	9
Adjusted Funds Flow ($MM) (2)	**294**	251	43	17
Capital Expenditures, before A&D ($MM) (2)	**189**	175	14	8
Free Funds Flow ($MM) (2)	**105**	76	29	38
Acquisitions, net of dispositions ($MM) (3)	**424**	424	-	-
Net Debt, end of year ($MM) (2)	**458**	483	(25)	(5)
Common shares outstanding, end of year (MM) (4)	**153**	147	6	4

(1) The financial performance measures included in the Company's 2021 Guidance were based on the midpoint of the average production forecast of 45,000 BOE/d.

(2) "Operating Netback", "Settlements on Commodity Derivative Contracts", "Adjusted Funds Flow", "Capital Expenditures, before A&D", "Free Funds Flow", and "Net Debt" do not have standardized meanings under IFRS, see "Non-GAAP Measures and Ratios".

(3) Includes cash consideration for the acquisitions, net of $0.5 million of proceeds from minor dispositions. Total consideration for the acquisitions was approximately $957 million inclusive of $387 million of estimated net debt assumed on corporate acquisitions. See also, "Non-GAAP Measures and Ratios – Adjusted Net Capital Acquisitions".

(4) Basic common shares outstanding as at December 31, 2021 does not include common shares potentially issuable in respect of dilutive securities (see also, "Share Capital"). The variance from prior guidance reflects the previously announced conversion of a $50 million convertible promissory note which resulted in the issuance of 5.9 million common shares on September 29, 2021.

Exploration and development capital expenditures were $189 million in 2021, inclusive of a $10 million Crown land purchase at Karr, Alberta, during the fourth quarter which was not included in the Company's original capital budget of $175 million. The remaining budget variance primarily reflects timing as certain expenditures were brought forward into 2021. Spartan's Free Funds Flow was $105 million in 2021 after deducting Capital Expenditures, before A&D, from Adjusted Funds Flow.

As at December 31, 2021, Spartan's Net Debt was $458 million or $25 million less than previous guidance due to incremental Free Funds Flow, modestly offset by net debt assumed on corporate acquisitions which exceeded prior estimates by approximately $4 million.

2022 OUTLOOK AND GUIDANCE

Spartan exited 2021 well positioned to take advantage of the current market environment and strong crude oil and natural gas prices. To date in 2022, global crude oil prices have risen to the highest levels since 2014 due to tight supply and a resurgence in demand, furthered by escalating military tensions in Eastern Europe following Russia's recent invasion of Ukraine.

Spartan's financial and operating guidance for 2022 is summarized below and is unchanged from the guidance published in the Company's press release dated February 15, 2022 ("**2022 Guidance**"). Based on forecast average production of between 68,500 to 72,500 BOE per day and commodity price assumptions of US$80/bbl for WTI crude oil and $3.75/GJ for AECO natural gas, Spartan expects to generate $589 million of Adjusted Funds Flow in 2022. Free Funds Flow is forecast to be $259 million on a capital expenditure budget of $330 million.

Year ending December 31, 2022	2022 Guidance
Average Production (BOE/d) (1)	**68,500 – 72,500**
% Oil and NGLs (1)	**40%**
Benchmark Average Commodity Prices	
WTI oil price (US$/bbl)	**80.00**
AECO 5A natural gas price ($/GJ)	**3.75**
Average exchange rate (CA$/US$)	**1.26**
Operating Netback, before hedging ($/BOE) (2)(3)	**27.73**
Operating Netback, after hedging ($/BOE) (2)(4)	**25.58**
Settlements on Commodity Derivative Contracts ($MM) (2)(4)	**(55)**
Adjusted Funds Flow ($MM) (2)(5)	**589**
Capital Expenditures, before A&D ($MM) (2)	**330**
Free Funds Flow ($MM) (2)	**259**
Net Debt, end of year ($MM) (2)	**199**
Common shares outstanding, end of year (MM) (6)	**154**

(1) The financial performance measures included in the Company's 2022 Guidance is based on the midpoint of the average production forecast of 70,500 BOE/d, composed of: 12,700 bbls/d of crude oil, 2,200 bbls/d of condensate, 13,200 bbls/d of NGLs (excluding condensate) and 254,400 mcf/d of natural gas.

(2) "Operating Netback", "Settlements on Commodity Derivative Contracts", "Adjusted Funds Flow", "Capital Expenditures, before A&D", "Free Funds Flow", and "Net Debt" do not have standardized meanings under IFRS, see "Non-GAAP Measures and Ratios".

(3) The forecasted Operating Netback, before hedging, is based on the following assumptions: average realized selling price of $43.17/BOE, processing and other revenue of $0.32/BOE, average royalties of 12.0 % or $5.17/BOE, operating expenses of $7.91/BOE, and transportation expenses of $2.68/BOE.

(4) The forecasted Operating Netback, after hedging, assumes Settlements on Commodity Derivative Contracts of $55 million ($2.13/BOE) and a Net Pipeline Transportation Margin loss of $0.02/BOE.

(5) Adjusted Funds Flow is estimated based on the Operating Netback, after hedging, as well as forecasted G&A expenses of $28.1 million ($1.09/BOE), Cash Financing Expenses of $23.6 million ($0.92/BOE), $3.6 million of estimated settlements of decommissioning obligations ($0.14/BOE); and $12.2 million of cash lease payments ($0.47/BOE).

(6) The forecast of common shares outstanding at the end of 2022 includes restricted share awards expected to be released upon vesting but does not include common shares potentially issuable in respect of stock options and warrants for which the exercise is discretionary on behalf of the holder (refer to "Share Capital" for additional information regarding dilutive securities).

(7) Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in Spartan's guidance. The Company's actual results may differ materially from these estimates. Holding all other assumptions constant, a US$10/bbl increase (decrease) in the forecasted WTI crude oil price would increase Adjusted Funds Flow by approximately $60 million (decrease by $59 million). Holding all other assumptions constant, a CA$0.50/GJ increase (decrease) in the forecasted AECO natural gas price would increase Adjusted Funds Flow by approximately $30 million (decrease by $28 million). The CA$/US$ exchange rate is strongly negatively correlated to the movement in WTI. A stronger (weaker) Canadian dollar would have negative (positive) impact on the Canadian dollar equivalent price Spartan receives, however the impact is generally muted by higher (lower) WTI oil prices. Assuming capital expenditures are unchanged, the impact on Free Funds Flow would be equivalent to the increase or decrease in Adjusted Funds Flow. An increase (decrease) in Free Funds Flow will result in an equivalent decrease (increase) in the forecasted Net Debt (Surplus).

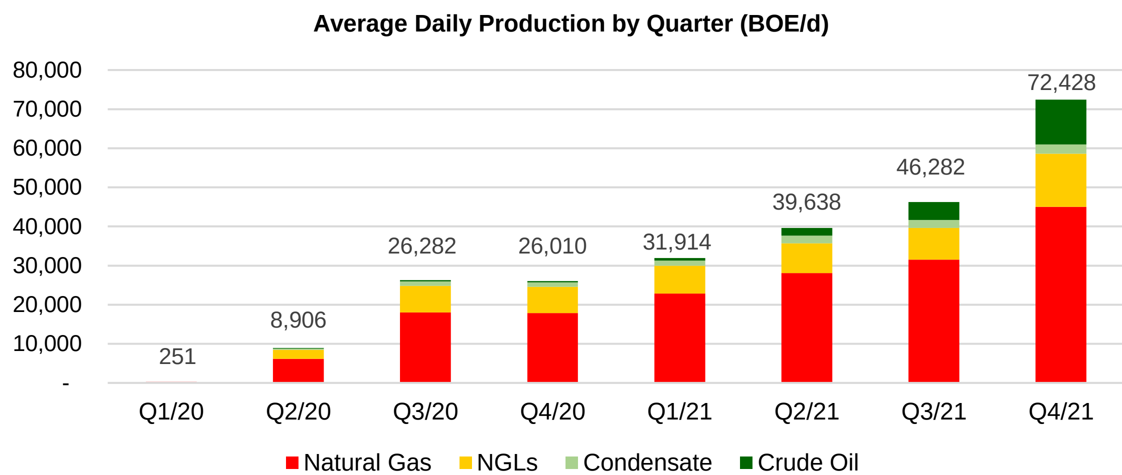
RESULTS OF OPERATIONS

PRODUCTION

	Three months ended December 31			Year ended December 31		
Average daily production	**2021**	2020	%	**2021**	2020	%
Crude oil (bbls/d)	**11,450**	332	3,349	**4,697**	196	2,296
Condensate (bbls/d)	**2,373**	1,131	110	**1,924**	656	193
NGLs (bbls/d)	**13,576**	6,728	102	**9,120**	3,965	130
Natural gas (mcf/d)	**270,176**	106,912	153	**191,596**	63,625	201
Combined average (BOE/d)	**72,428**	26,010	178	**47,674**	15,421	209
% Oil and NGLs	**38%**	31%	23	**33%**	31%	6

Spartan's 2021 average production of 47,674 BOE per day reflects the increase in production from 26,010 BOE per day in the fourth quarter of 2020 to 72,428 BOE per day in the fourth quarter of 2021. The growth in production was achieved through a series of targeted acquisitions combined with a successful organic drilling program in the Company's Deep Basin and Montney core areas. Spartan has diversified its production mix and materially increased the crude oil weighting of its production and reserves.

During 2021, the Company drilled and brought 22 net wells on production in the Deep Basin. Spartan drilled 10 net wells in the Montney, of which 7 wells were brought on production during the fourth quarter and 3 wells will be completed in the first quarter of 2022. Additionally, 7 net Montney wells previously drilled by Velvet were brought on production.



The Company did not have significant assets or operations prior to closing the BXE Asset Acquisition on June 1, 2020, which added approximately 25,000 BOE per day of production and established Spartan's core operating area in the Alberta Deep Basin. The Company grew production on the acquired assets through production optimization during the second half of 2020. The increase in production during the first quarter of 2021 was driven by Spartan's winter drilling program at Ferrier targeting liquids-rich natural gas. The Inception Acquisition and Simonette Acquisition closed on March 18, 2021, anchoring a second core development area in northwest Alberta targeting the Montney. Together, the Inception Acquisition and Simonette Acquisition added approximately 8,125 BOE per day of production at the time of closing contributing to the increase in average production for the second quarter of 2021. The Company's average production of 46,282 BOE per day for the third quarter of 2021 included operations from the Velvet Acquisition following closing on August 31, 2021 as well as the tuck-in acquisition of assets in the Ferrier area on September 3, 2021. Average production increased by 56% to 72,428 BOE per day in the fourth quarter of 2021 reflecting a full quarter of operations from the Velvet and Ferrier acquisitions in conjunction with successful execution of Spartan's drilling program which resulted in earlier than forecasted on-stream dates for several wells.

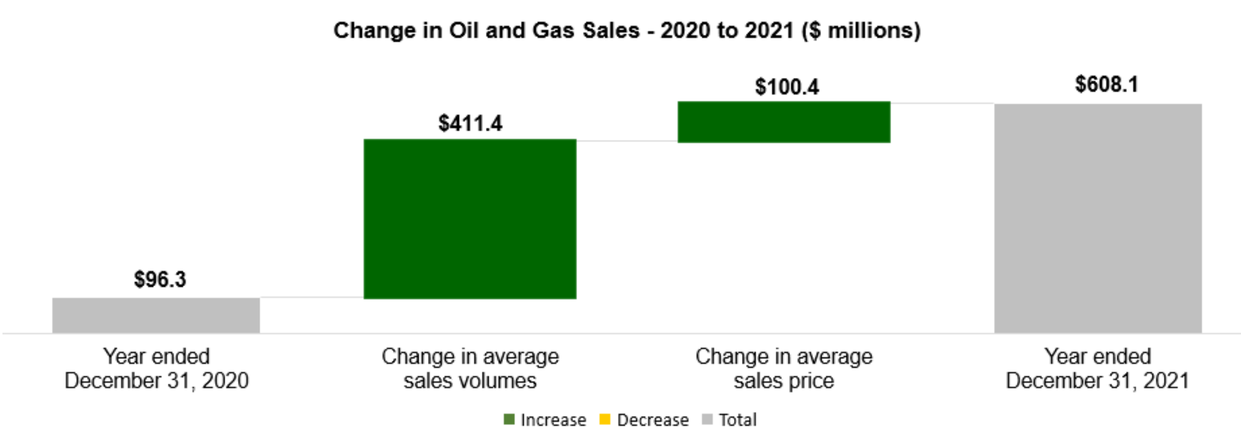
The progressive increase in crude oil production highlights diversification of the Company's portfolio through the acquisitions and continued development of its Montney oil assets which are concentrated in the Gold Creek, Karr and Pouce Coupe areas of Alberta. Crude oil represented 16% of Spartan's total production on average during the fourth quarter of 2021, up from 10% in the third quarter of 2021 and 1% in the fourth quarter of 2020. The impact of the shift in product mix contributed to the significant increase in Spartan's sales revenue and average selling prices.

OIL AND GAS SALES

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Oil and gas sales, before royalties						
Crude oil	**96,257**	1,465	6,470	**148,258**	3,304	4,387
Condensate	**21,092**	5,666	272	**59,783**	12,328	385
NGLs	**55,440**	11,359	388	**123,543**	24,297	408
Natural gas	**123,636**	26,716	363	**276,558**	56,395	390
Oil and gas sales, before royalties	**296,425**	45,206	556	**608,142**	96,324	531
Average realized prices, before financial instruments						
Crude oil ($/bbl)	**91.38**	47.95	91	**86.48**	46.03	88
Condensate ($/bbl)	**96.63**	54.46	77	**85.15**	51.39	66
NGLs ($/bbl)	**44.39**	18.35	142	**37.11**	16.74	122
Natural gas ($/mcf)	**4.97**	2.72	83	**3.95**	2.42	63
Combined average ($/BOE)	**44.48**	18.89	135	**34.95**	17.07	105
Average realized prices, after financial instruments(1)						
Crude oil ($/bbl)	**74.44**	47.95	55	**73.00**	46.03	59
Condensate ($/bbl)	**94.25**	54.46	73	**84.26**	51.39	64
NGLs ($/bbl)	**44.39**	18.35	142	**37.11**	16.74	122
Natural gas ($/mcf)	**4.00**	2.50	60	**3.41**	2.38	43
Combined average ($/BOE)	**38.09**	17.99	112	**31.42**	16.90	86

(1) "Average realized prices, after financial instruments" are calculated as oil and gas sales, before royalties, after Settlements on Commodity Derivative Contracts, divided by total production by product type. Additional information is provided under the heading "Commodity Price Risk Management".

Spartan generated $608.1 million of oil and gas sales revenue during 2021, of which approximately half was earned in the fourth quarter. The Company's revenue has increased materially compared to $96.3 million in 2020, which included seven months of operations from the Deep Basin assets acquired on June 1, 2020.



The increase in sales revenue was driven by higher production as well as higher average selling prices. During 2021, Spartan's combined average realized price of $34.95 per BOE ($31.42 per BOE after financial instruments) more than doubled compared to the average price of $17.07 per BOE ($16.90 per BOE after financial instruments) in 2020. The significant increase in crude oil weighting of production and sales compounded the impact of higher benchmark commodity prices which have recovered dramatically compared to 2020. With strong fundamentals driving both oil and gas prices higher in the fourth quarter of 2021, Spartan's combined average selling price increased to $44.48 per BOE ($38.09 per BOE after financial instruments) for the three months ended December 31, 2021.

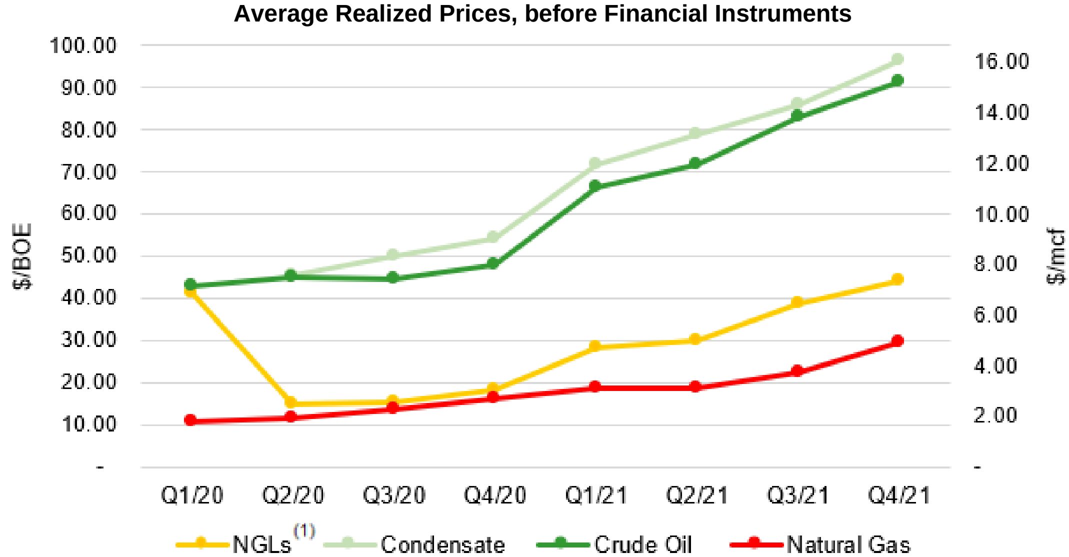
The table below summarizes benchmark average commodity prices and exchange rates during the periods:

Benchmark commodity prices	Three months ended December 31			Year ended December 31		
	2021	2020	%	**2021**	2020	%
WTI Cushing Oklahoma (US$/bbl) (1)	**77.19**	42.66	81	**67.91**	39.40	72
WTI Cushing Oklahoma (CA$/bbl) (2)	**97.19**	55.53	75	**85.04**	52.51	62
Mixed Sweet Blend ("MSW") ($/bbl) (3)	**93.29**	50.24	86	**80.17**	45.33	77
Conway propane (US$/gallon) (4)	**1.25**	0.55	127	**1.04**	0.44	136
NYMEX Henry Hub (US$/MMBtu) (5)	**5.83**	2.76	111	**3.84**	2.13	80
NYMEX - AECO 7A Basis (US$/MMBtu)	**(1.90)**	(0.56)	239	**(1.00)**	(0.40)	150
AECO 7A ($/GJ) (6)	**4.68**	2.62	79	**3.38**	2.12	59
AECO 5A ($/GJ) (7)	**4.41**	2.50	76	**3.44**	2.11	63
Exchange rate (CA$/US$) (1)	**1.26**	1.30	(3)	**1.25**	1.34	(7)

(1) Source: Sproule Associates Limited.
(2) Calculated based the US$ WTI price multiplied by the average US$/CA$ exchange rate for the month.
(3) Source: Weighted average trade volume and price per Net Energy and NGX.
(4) Source: Service Conway C3 in-well simple average.
(5) Source: Canadian Gas Price Reporter (NYMEX Settle).
(6) Source: Canadian Gas Price Reporter (NGX AB-NIT Month Ahead Index 7A).
(7) Source: Canadian Gas Price Reporter (NGX AB-NIT Same Day Index 5A).

The table below summarizes the change in Spartan's average realized prices, before financial instruments, by commodity type and by quarter during 2020 and 2021.

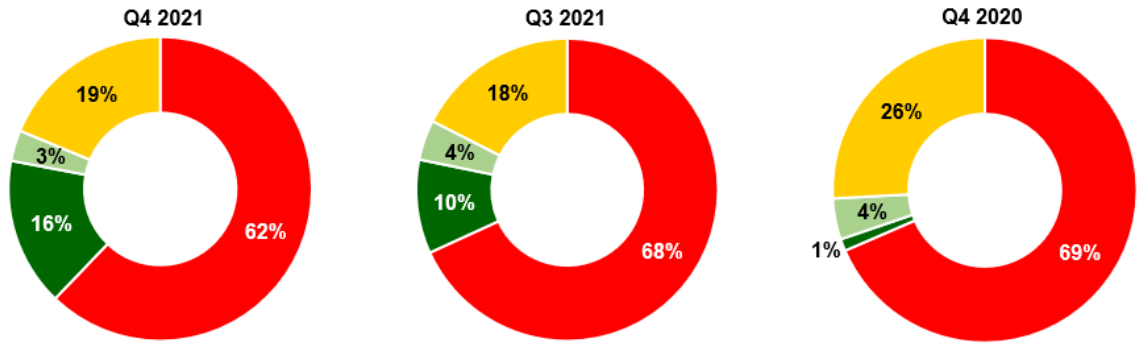
Average Realized Prices, before Financial Instruments



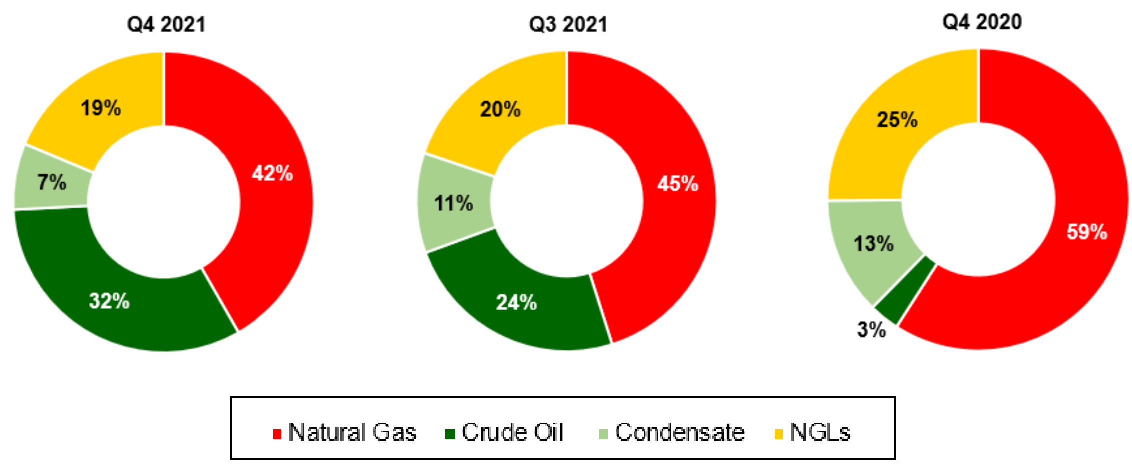
(1) In the first quarter of 2020, the NGLs product mix was primarily pentane and butane.

The charts below highlight the change in Spartan's production mix and the relative contribution to total oil and gas sales revenue in the fourth quarter of 2021, relative to the third quarter of 2021 and fourth quarter of 2020.

Production Mix (BOE)



Oil and Gas Sales, before Royalties



Natural gas represented 62% of total production volumes in the fourth quarter and 67% on average during 2021. Over the corresponding periods, natural gas sales contributed to $123.6 million (42%) and $276.6 million (45%) of Spartan's total sales revenue. In 2020, natural gas production represented 69% of total volumes and $56.4 million (59%) of revenue. The Company's natural gas is delivered and sold under AECO based contracts, with approximately 70% priced at AECO 5A and 30% at AECO 7A on average during 2021. Spartan's realized gas price for the fourth quarter of 2021 of $4.97 per MCF reflects an 83% increase from $2.72 per MCF the same quarter of 2020, over which period the AECO 5A and 7A reference prices increased by 76% and 79% respectively. Spartan's Montney properties receive modestly higher gas prices due to the relative heat content resulting from a shallower liquids cut compared to the Deep Basin assets.

Together, crude oil and condensate represented 19% of production volumes in the fourth quarter and 14% of average production during 2021. For the respective three-month period and year ended December 31, 2021, total crude oil and condensate sales contributed to $117.3 million (39%) and $208.0 million (34%) of Spartan's total sales revenue. By comparison, crude oil and condensate represented 5% of total volumes and $15.6 million (16%) of sales in 2020. Spartan realized an average price for its crude oil and condensate sales of $92.28 per barrel for the three months ended December 31, 2021, driving the 2021 average price of $86.09 per barrel up by 72% compared to the average price of $50.15 per barrel realized for crude oil and condensate in 2020. With Spartan's oil production back-weighted to the last four months of 2021 following the Velvet Acquisition, the year-over-year increase in Spartan's average realized price outpaced the 62% increase in the Canadian dollar equivalent WTI benchmark oil price. The condensate blended index price was a premium of US$1.94 per barrel relative to WTI during the fourth quarter of 2021. The average premium was US$0.29 per barrel for the 2021 calendar year compared to an average discount of US$2.10 per barrel in 2020. Spartan's total condensate production increased significantly from the previous year through development drilling in the Deep Basin targeting liquids-rich natural gas, however condensate is a lower proportion of total corporate production following the acquisitions and development of the Montney oil assets.

NGLs (excluding condensate) were 19% of Spartan's total production volumes in 2021 and contributed proportionately to 20% of total sales revenue. In the previous year, NGLs contributed to 26% of production and 25% of total sales revenue. The Company reported an average NGLs sales price of $37.11 per barrel in 2021, driven by the strong fourth quarter average price of $44.39 per barrel which increased by 142% from $18.35 per barrel in the fourth quarter of 2020. In addition to the recovery and strength of underlying benchmark WTI and Conway propane prices, the increase in Spartan's average realized price also reflects a change in the NGLs product mix following the Montney acquisitions. During the three months ended December 31, 2021, Spartan's estimated NGLs product mix was approximately 11% pentane, 19% butane, 35% propane and 35% ethane. In the comparative quarter of 2020, the NGLs product mix was approximately 9% pentane, 16% butane, 32% propane and 43% ethane. The majority of Spartan's ethane sales are priced at a premium to the AECO 7A gas reference price under the Company's marketing contracts in the Deep Basin.

COMMODITY PRICE RISK MANAGEMENT

The Company has various commodity price risk management contracts in place to reduce volatility of cash flows in order to fund capital expenditures and protect project economics. These financial instruments are not used for trading or speculative purposes. Spartan has not designated its financial derivative contracts as accounting hedges, even though the Company considers the commodity contracts to be economic hedges. As a result, all such financial commodity contracts are recorded on the Consolidated Statements of Financial Position at fair value, with changes in the fair value being recognized as an unrealized gain or loss through the Consolidated Statements of Net Income and Comprehensive Income.

The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts and the estimated fair values by contract type as at December 31, 2021:

	Natural Gas						Crude Oil	
	NYMEX Henry Hub Swaps/ Collar (2)(3)(4)		NYMEX – AECO 7A Basis Swaps – Short (3)		AECO 7A Swaps - Short		US$ WTI Swaps (5)	
Period	Volume mmbtu/d	Floor – Ceiling US$/mmbtu	Volume mmbtu/d	US$/mmbtu	Volume GJ/d	C$/GJ	Volume bbl/d	US$/bbl
Q1 2022	70,000	$2.74 - $3.08	85,000	($1.13)	35,000	$2.25	4,750	$49.15
Q2 2022	55,000	$2.70 - $2.81	85,000	($1.13)	-	-	4,000	$49.30
Q3 2022	55,000	$2.70 - $2.81	85,000	($1.13)	-	-	-	-
Q4 2022	35,109	$2.81 - $2.87	85,000	($1.15)	-	-	-	-
Q1 2023	26,389	$2.83 - $2.83	85,000	($1.13)	-	-	-	-
Q2 2023	10,000	$2.65 - $2.65	85,000	($1.09)	-	-	-	-
Q3 2023	10,000	$2.65 - $2.65	85,000	($1.08)	-	-	-	-
Q4 2023	10,000	$2.65 - $2.65	85,000	($1.08)	-	-	-	-
Asset (Liability)	**($24.7) million (1)**		**($10.4) million (1)**		**($4.7) million (1)**		**($24.5) million (1)**	

(1) The fair value of the Company's risk management contracts is highly sensitive to forecast oil and gas prices, refer to sensitivities under the heading "Risks and Uncertainties – Commodity Price Risk".
(2) Represent collar positions with a floor price (long put) and a price ceiling (short call) for Spartan.
(3) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(4) Floor and ceiling represent the average strike price of the long put and short call positions.
(5) WTI swaps are settled based on the WTI calendar month average.

See also, “Subsequent Events” for information regarding new contracts entered after the reporting period.

The fair value of the Company’s outstanding risk management contracts resulted in a net derivative financial instrument liability of $64.3 million at December 31, 2021, compared to a liability of $3.1 million at December 31, 2020. The increase in derivative financial instruments primarily relates to risk management contracts assumed through the Velvet Acquisition. The fair value of contracts acquired was a liability of $94.2 million on August 31, 2021, of which $33.4 million was subsequently settled over the four month period ended December 31, 2021. Compared to forecast prices as of August 31st, the impact of higher forecast WTI oil prices on the derivative liability was mostly offset by widening of the AECO 7A basis differential relative to NYMEX. As a result, the net unrealized loss on derivative financial instruments was nominal at $0.4 million for the year ended December 31, 2021.

During the fourth quarter, the Company’s total derivative liability decreased significantly from $124.4 million at September 30, 2021 to $64.3 million at December 31, 2021, with $25.2 million of the decrease attributed to settlements of acquired liabilities. The change in fair value resulted in an unrealized gain of $34.9 million for the three months ended December 31, 2021, driven primarily by softening of the forecasts for NYMEX and AECO 7A gas prices relative to the forecast highs as of September 30th which had triggered a significant unrealized loss in Spartan’s net income for the third quarter.

The realized and unrealized component of the gain or loss on derivative financial instruments is summarized in the following table:

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Realized loss	**(17,397)**	(2,164)	704	**(27,966)**	(958)	2,819
Unrealized gain (loss)	**34,927**	9,826	255	**(391)**	(3,137)	(88)
Gain (loss) on derivative financial instruments	**17,530**	7,662	129	**(28,357)**	(4,095)	592

The realized loss on derivative financial instruments presented in accordance with IFRS excludes the portion of settlements related to derivative contracts acquired through the Velvet Acquisition based on the August 31, 2021 fair value of the contracts. The following table reconciles total cash Settlements on Commodity Derivative Contracts, which is a non-GAAP financial measure, to the realized loss reported:

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Crude oil	**(17,850)**	-	-	**(23,111)**	-	-
Condensate	**(519)**	-	-	**(627)**	-	-
NGLs	**-**	-	-	**-**	-	-
Natural gas	**(24,182)**	(2,164)	1,017	**(37,638)**	(958)	3,829
Settlements on Commodity Derivative Contracts	**(42,551)**	(2,164)	1,866	**(61,376)**	(958)	6,307
Less: Settlements of acquired derivative liabilities	**(25,154)**	-	-	**(33,410)**	-	-
Realized loss	**(17,397)**	(2,164)	704	**(27,966)**	(958)	2,819

The realized loss of $28.0 million for the year ended December 31, 2021 is comprised of (i) a realized loss of $18.0 million on Spartan’s legacy hedges which were implemented in June 2020 as a requirement to finance the BXE Asset Acquisition; plus (ii) an incremental loss of $10.0 million for settlements on the Velvet contracts in excess of the fair value on the acquisition date.

The “average realized prices, after financial instruments” disclosed in this MD&A are reported net of Settlements on Commodity Derivative Contracts.

Physical hedging

Spartan assumed certain marketing and pipeline transportation contracts through the Velvet Acquisition. Pipeline transportation revenue represents the margin generated from a buy/sell arrangement with an international oil marketer, where barrels are purchased in Flanagan, Illinois and sold at Cushing, Oklahoma on the Spearhead pipeline. Pipeline transportation expense represents the contracted cost for Spartan to transport its allocated volumes on the Spearhead pipeline, subject to apportionment by the pipeline operator.

During the fourth quarter and year ended December 31, 2021, the net revenue realized under the buy/sell arrangement was less than the pipeline toll resulting in losses of $1.7 million and $2.1 million, respectively.

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Pipeline transportation revenue	**913**	-	-	**1,380**	-	-
Pipeline transportation expense	**(2,598)**	-	-	**(3,463)**	-	-
Net Pipeline Transportation Margin	**(1,685)**	-	-	**(2,083)**	-	-

Subsequent to year-end, the contracts associated with the Spearhead and Flanagan South pipeline commitments were assigned to a third party effective April 1, 2022. The assignment reduces the Company's aggregate contractual commitments by $72.3 million (see also, "Commitments and Contingencies" and "Subsequent Events").

ROYALTIES

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Crude oil	**7,026**	115	6,010	**10,711**	243	4,308
Condensate, before GCA	**5,974**	2,040	193	**17,111**	4,232	304
NGLs, before GCA	**9,727**	2,688	262	**24,534**	5,578	340
Natural gas, before GCA	**15,326**	3,090	396	**31,766**	6,402	396
Gas cost allowance ("GCA")	**(5,315)**	(3,124)	70	**(17,483)**	(7,581)	131
Total royalties	**32,738**	4,809	581	**66,639**	8,874	651
$ per BOE	**4.91**	2.01	144	**3.83**	1.57	144
Average royalty rate (% of sales)	**11.0%**	10.6%	4	**11.0%**	9.2%	20

The Company's royalty expenses increased from $8.9 million in 2020 to $66.6 million in 2021 in conjunction with the increase in oil and gas sales revenue.

Spartan's average royalty rate was 11.0% of oil and gas sales revenue for both the fourth quarter and year ended December 31, 2021, compared to 10.6% and 9.2% on average during the respective periods of 2020. Royalties are reported net of gas cost allowance ("**GCA**") credits which do not fluctuate with natural gas or NGLs prices. With the increase in commodity prices during 2021, GCA now offsets a lower proportion of total royalties. The increase in net royalty rates for Spartan's Deep Basin assets compared to 2020 is partly offset by lower average royalty rates on the acquired properties in the Montney.

PROCESSING AND OTHER REVENUE

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Processing and other	**2,405**	1,578	52	**9,317**	3,389	175
$ per BOE	**0.36**	0.66	(45)	**0.54**	0.60	(10)

Processing and other revenue primarily relates to gas processing and other fees earned on third party volumes processed through the Company's facilities. Processing and other revenue per BOE decreased during the fourth quarter of 2021 relative to the increase in corporate total production following the Velvet Acquisition.

OPERATING EXPENSES

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Operating expenses	**50,125**	13,583	269	**115,011**	34,476	234
$ per BOE	**7.52**	5.68	32	**6.61**	6.11	8

The Company's total operating expenses increased from $34.5 million ($6.11 per BOE) in 2020 to $115.0 million ($6.61 per BOE) in 2021 in conjunction with significant production growth. The increase in operating expenses per unit reflects integration of the Montney acquisitions during 2021 which have higher average operating costs relative to the Company's liquids-rich natural gas assets in the Deep Basin. The impact is partly offset by a further reduction of per unit operating expenses in the Deep Basin which have decreased by more than 20% since Spartan's acquisition of the properties in June 2020.

Spartan's operating expenses averaged $7.52 per BOE for the three months ended December 31, 2021 and reflect a full quarter of operations from the Velvet Acquisition. The acquired assets carry higher average operating expenses and significantly increased the crude oil weighting of Spartan's production. The material increase in average selling prices and revenues more than offsets the higher costs of operating the properties, driving higher netbacks and cash flow provided by operating activities.

TRANSPORTATION EXPENSES

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Transportation expenses	**16,081**	3,288	389	**34,738**	7,665	353
$ per BOE	**2.41**	1.37	76	**2.00**	1.36	47

Transportation expenses were $16.1 million ($2.41 per BOE) for the fourth quarter and $34.7 million ($2.00 per BOE) for the year ended December 31, 2021. Total transportation expenses have increased in conjunction with significant production growth. The increase in per unit transportation costs reflects the location differential of the northwest Alberta Montney relative to the Deep Basin as well as higher costs of transporting crude oil relative to natural gas. Spartan also assumed certain firm transportation commitments through the Velvet Acquisition which resulted in higher per unit costs during the fourth quarter of 2021.

In addition, the Company entered into new NGLs marketing contracts effective April 1, 2021, which resulted in $3.6 million of fractionation and processing charges being classified within transportation expenses that were previously presented as a deduction from NGLs revenue.

OPERATING INCOME AND OPERATING NETBACKS

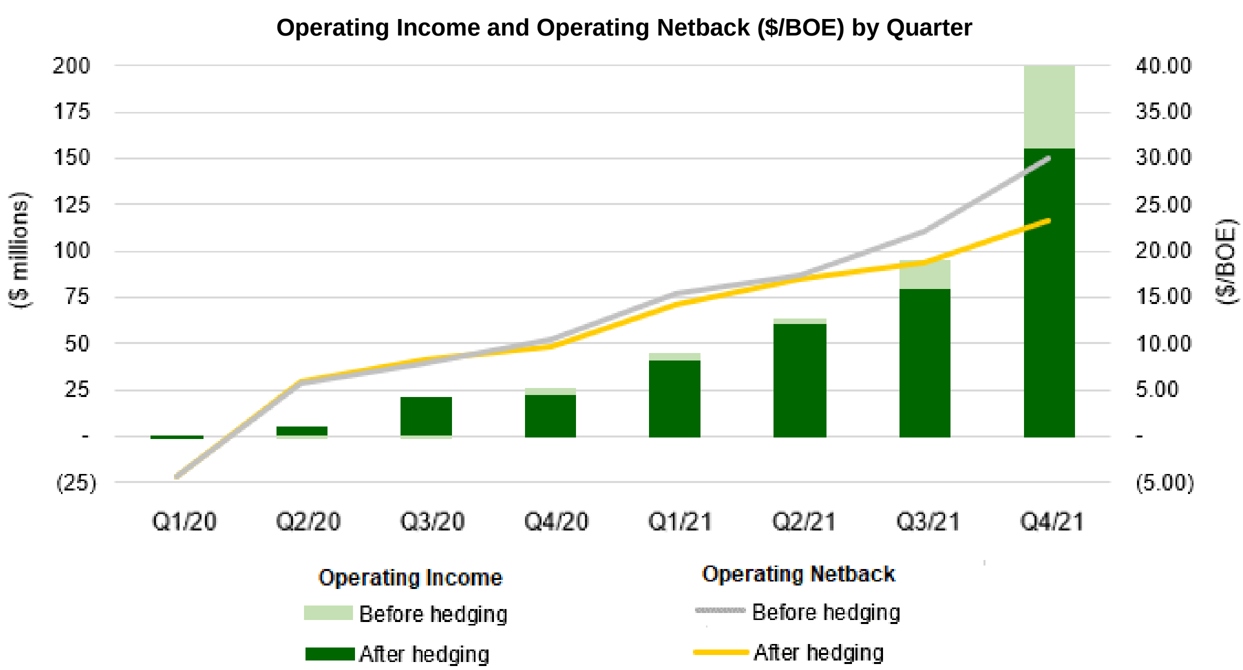
Operating Income is a non-GAAP financial measure used by Spartan an indication of the Company's ability to generate cash from field operations, prior to administrative overhead, financing and other business expenses. The Company refers to Operating Income expressed per unit of production as an "Operating Netback" and reports the Operating Netback before and after hedging. Spartan considers Operating Netback an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.

The Company's field operations generated $199.9 million of Operating Income before hedging during the three months ended December 31, 2021, up almost 700% from $25.1 million in the same three-month period of 2020. Losses on commodity price risk management contracts softened the impact of higher commodity prices resulting in $155.7 million of Operating Income after hedging during the fourth quarter of 2021. Total Operating Income for 2021 was $401.1 million before hedging and $337.6 million after hedging, up over 600% from $47.7 million of Operating Income after hedging in 2020.

The components of Spartan's Operating Netbacks are summarized below. All amounts expressed on a BOE equivalent basis are non-GAAP financial ratios.

	Three months ended December 31			Year ended December 31		
($ per BOE)	**2021**	2020	%	**2021**	2020	%
Oil and gas sales	**44.48**	18.89	135	**34.95**	17.07	105
Processing and other revenue	**0.36**	0.66	(45)	**0.54**	0.60	(10)
Royalties	**(4.91)**	(2.01)	144	**(3.83)**	(1.57)	144
Operating expenses	**(7.52)**	(5.68)	32	**(6.61)**	(6.11)	8
Transportation expenses	**(2.41)**	(1.37)	76	**(2.00)**	(1.36)	47
Operating Netback, before hedging	**30.00**	10.49	186	**23.05**	8.63	167
Settlements on Commodity Derivative Contracts	**(6.39)**	(0.90)	610	**(3.53)**	(0.17)	1,976
Net Pipeline Transportation Margin	**(0.25)**	-	-	**(0.12)**	-	-
Operating Netback, after hedging	**23.36**	9.59	144	**19.40**	8.46	129

Integration of the Velvet Acquisition contributed to stronger corporate average Operating Netbacks for Spartan, as higher realized pricing on its crude oil production, along with lower average royalties, more than offsets higher average operating and transportation expenses.



GENERAL AND ADMINISTRATIVE EXPENSES

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2021	2020	%	Year ended December 31 2021	2020	%
Salaries and benefits	**7,522**	3,627	107	**18,071**	8,028	125
Other G&A expenses	**4,092**	1,336	206	**10,749**	3,299	226
Change in expected credit loss provision	**38**	40	(5)	**249**	207	20
G&A expenses, before recoveries ("Gross G&A")	**11,652**	5,003	133	**29,069**	11,534	152
Overhead recoveries	**(2,525)**	(1,008)	150	**(6,023)**	(1,572)	283
Capitalized G&A	**(1,701)**	-	-	**(1,701)**	-	-
Canada Emergency Wage Subsidy	**-**	(444)	(100)	**-**	(727)	(100)
G&A expenses ("Net G&A")	**7,426**	3,551	109	**21,345**	9,235	131
Gross G&A ($ per BOE)	**1.75**	2.09	(16)	**1.67**	2.04	(18)
Net G&A ($ per BOE)	**1.12**	1.48	(24)	**1.22**	1.64	(26)

G&A expenses were $7.4 million ($1.12 per BOE) during the fourth quarter and $21.3 million ($1.22 per BOE) for the year ended December 31, 2021. In the corresponding periods of 2020, G&A expenses were $3.6 million ($1.48 per BOE) and $9.2 million ($1.64 per BOE), respectively. Over the past twelve months Spartan has grown its total assets by more than 400% from $331.4 million at December 31, 2020 to over $1.7 billion at December 31, 2021. The increase in G&A is primarily due to additional staff and office space, information technology and other restructuring costs related to integration of the acquisitions.

G&A expenses are reported net of recoveries and capitalized G&A. Concurrent with the shift in focus from acquisitions to an organic drilling program during the fourth quarter of 2021, Spartan began capitalizing a portion of direct salaries and benefits attributed to the Company's capital program. Overhead recoveries and capitalized G&A increased to $2.5 million and $1.7 million, respectively, in conjunction with higher capital expenditures during the quarter ended December 31, 2021.

SHARE BASED COMPENSATION

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2021	2020	%	Year ended December 31 2021	2020	%
Stock options	**623**	677	(8)	**2,917**	1,578	85
Share awards	**1,173**	-	-	**3,595**	-	-
Capitalized share based compensation	**(255)**	-	-	**(255)**	-	-
Share based compensation expense	**1,541**	677	128	**6,257**	1,578	297
$ per BOE	**0.23**	0.28	(18)	**0.36**	0.28	29

As part of the Company's long-term equity incentive plans, stock options and share awards may be granted to officers, directors, employees, and consultants. During 2021, Spartan granted 2.0 million restricted share awards and 1.2 million stock options with an average exercise price of $4.29 per share. In 2020, there were 3.5 million stock options granted with an average exercise price of $3.00 per share. As at December 31, 2021, the aggregate of outstanding stock options and share awards represents 4.1% of Spartan's total common shares issued and outstanding.

Share based compensation ("**SBC**") expense is recognized over the three-year vesting period using graded amortization. SBC expense was $1.5 million for the fourth quarter and $6.3 million for the year ended December 31, 2021, up from $1.6 million in 2020 which included seven months of amortization from the initial grant on June 1, 2020. The implementation of share award grants in 2021 also contributed to the increase in SBC expense because the fair value of a share award is typically 2 to 3 times more than a stock option on the grant date. Spartan began capitalizing a portion of SBC expense during the fourth quarter of 2021 on the same basis as its policy for capitalized G&A.

FINANCING

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2021	2020	%	Year ended December 31 2021	2020	%
Interest and fees on long-term debt	**7,226**	450	1,506	**10,673**	1,291	727
Interest income	**-**	-	-	**(405)**	(94)	331
Interest expense, net of interest income [(1)]	**7,226**	450		**10,268**	1,197	
Financing cost of lease liabilities	**799**	731	9	**2,914**	1,720	69
Accretion of decommissioning obligations	**748**	290	158	**2,317**	707	228
Financing	**8,773**	1,471	496	**15,499**	3,624	328
Interest expense, net of interest income ($/BOE)	**1.08**	0.19	468	**0.59**	0.21	181
Financing ($/BOE)	**1.31**	0.62	111	**0.89**	0.64	39
Average long-term debt outstanding in period	**445,641**	8,177	nm	**151,071**	9,017	nm

(1) References to "**Cash Financing Expenses**" in this MD&A refer to "interest expense, net of interest income". See "Non-GAAP Measures and Ratios".

The Company's Cash Financing Expenses were $10.3 million ($0.59 per BOE) during 2021, of which $7.2 million ($1.08 per BOE) were incurred during the fourth quarter corresponding to the increase in debt following the Velvet Acquisition. Interest and fees on long-term debt includes interest on borrowings, standby fees on undrawn credit capacity and amortization of upfront fees, which together resulted in a combined annualized effective rate of 6.5% of average debt outstanding under the Credit Facility and Term Facility during the three months ended December 31, 2021. Additional information regarding the Credit Facility and Term Facility is provided under the heading "Capital Resources and Liquidity".

Spartan has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. The Company's total lease liability is $54.8 million as at December 31, 2021, up from $49.8 million as at December 31, 2020. The associated financing costs have been relatively consistent at approximately $0.7 million per quarter since June 2020, with the fourth quarter of 2021 reporting slightly higher at $0.8 million due to the addition of new compression equipment leases in the quarter.

Financing expenses also include non-cash accretion of decommissioning obligations which has increased from the comparative periods due to the acquisitions as well as higher interest rates along the economic recovery. The total carrying amount of Spartan's decommissioning obligations is $171.8 million as at December 31, 2021 compared to $98.1 million as at December 31, 2020 (see also, "Decommissioning Obligations").

DEPLETION, DEPRECIATION AND IMPAIRMENT ("DD&I")

(CA$ thousands, unless otherwise indicated)	Three months ended December 31 2021	2020	%	Year ended December 31 2021	2020	%
Depletion and depreciation of PP&E	**47,230**	9,068	421	**94,496**	19,955	374
Depreciation of ROU Assets	**2,495**	1,799	39	**8,293**	4,175	99
Depletion and depreciation	**49,725**	10,867	358	**102,789**	24,130	326
Expired mineral leases	**-**	-	-	**97**	8	1,113
Impairment of PP&E	**-**	-	-	**-**	2,998	(100)
Total DD&I expense	**49,725**	10,867	358	**102,886**	27,136	279
Depletion and depreciation ($ per BOE)	**7.46**	4.54	64	**5.91**	4.28	38
Total DD&I expense ($ per BOE)	**7.46**	4.54	64	**5.91**	4.81	23

The Company reported depletion and depreciation ("**D&D**") expense of $49.7 million ($7.46 per BOE) for the fourth quarter and $102.8 million ($5.91 per BOE) for the year ended December 31, 2021. In the corresponding periods of 2020, D&D expenses were $10.9 million ($4.54 per BOE) and $24.1 million ($4.28 per BOE), respectively. The increase in total D&D expenses is primarily due to the material increase in the Company's property, plant and equipment ("**PP&E**") and production growth. On a per unit basis, the increase in D&D reflects the acquisition of proved plus probable reserves at a higher than historical average cost per barrel for the oil-weighted Montney assets relative to the Deep Basin assets acquired in June 2020 at a discounted valuation.

Following the acquisitions, the Company reviewed and realigned its cash generating units ("**CGUs**"). Spartan has two CGUs as at December 31, 2021, namely: (i) the Deep Basin CGU, comprised primarily of the Company's assets located in west central Alberta, and (ii) the Montney CGU, comprised primarily of the Company's assets located in northwest Alberta as well as minor properties located in northeastern British Columbia.

Spartan assessed each of its CGUs for indicators of potential impairment as at December 31, 2021 and concluded there are no indicators of impairment (or reversals of previously recognized impairments). The Company recognized an impairment loss of $3.0 million on a non-core property in the first quarter of 2020. This impairment has not been reversed.

OTHER INCOME (EXPENSES)

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Gain on sale of assets	**-**	212	-	**468**	244	92
Gain on acquisition	**729**	-	-	**127,854**	52,952	141
Discount rate adjustment on decommissioning obligations acquired	**-**	-	-	**-**	(13,106)	-
Transaction costs	**71**	(7)	nm	**(4,002)**	(2,285)	75
Other income	**816**	203	302	**2,801**	203	1,280
Premium on flow-through shares	**3,069**	-	-	**10,098**	-	-
Change in fair value of Convertible Note	**-**	-	-	**(5,648)**	-	-
Foreign exchange gain	**304**	-	-	**312**	-	-
Other income, net of other expenses	**4,989**	408	1,123	**131,883**	38,008	247

Spartan recognized gains on certain acquisitions completed during 2021 as the fair value of consideration paid was less than the fair value of the net assets acquired. The total gain of $127.9 million for the year ended December 31, 2021 includes gains of $35.7 million on the Inception Acquisition, $89.0 million on the Velvet Acquisition and $3.1 million on the Ferrier Acquisition. The gains recognized on the acquisitions of Inception and Velvet are primarily attributed to significant tax pools assumed by acquiring the corporate entities and the resulting deferred income tax assets. The gain on the Ferrier Acquisition is attributed to the distressed nature of the transaction which was completed through a court supervised restructuring process. The incremental gain of $0.7 million recognized in the fourth quarter relates to a true-up of estimated opening working capital balances assumed on the acquisitions of Inception and Velvet.

In 2020, the Company recognized a gain of $53.0 million on the BXE Asset Acquisition. The COVID-19 pandemic and collapse of global crude oil prices in March and April 2020 exacerbated the financial challenges of the vendor. The gain was attributed to the distressed nature of the transaction and Spartan's ability to access capital in a challenging business environment, allowing the Company the opportunity to acquire assets at a historically low valuation. The gain on the BXE Asset Acquisition is partly offset by $13.1 million of decommissioning costs that were expensed related to inactive properties acquired.

Spartan expensed $4.0 million of transaction costs in respect of business combinations completed during 2021 (2020 – $2.3 million). In addition, approximately $0.1 million of costs related to the issuance of share consideration for certain acquisitions was charged directly to equity, net of deferred tax. Approximately $0.1 million of transaction costs were capitalized in respect of the January 2021 Acquisition which was accounted for as an asset acquisition.

Other income of $2.8 million for the year ended December 31, 2021 includes $2.3 million of funding earned through the Alberta provincial government Site Rehabilitation Program ("**SRP**") (see "Decommissioning Obligations"), of which $0.8 million was recognized in the fourth quarter.

On March 18, 2021, Spartan completed a non-brokered private placement of flow-through shares for gross proceeds of $54.0 million at a subscription price of $4.92 per share (the "**Flow-Through Private Placement**"). The implied premium on the flow-through shares was determined to be $10.1 million or $0.92 per flow-through share, relative to the subscription price of $4.00 per share under a concurrent non-brokered private placement of regular common shares. Pursuant to the provisions of the *Income Tax Act* (Canada), the Company was obligated to incur eligible Canadian development expenses (the "**Qualifying Expenditures**") after the closing date and prior to December 31, 2021 in the aggregate amount of not less than the total gross proceeds raised from the Flow-Through Private Placement. The deferred premium on flow-through shares was recognized initially as a liability on the Consolidated Statement of Financial Position and was drawn-down in proportion to the Qualifying Expenditures incurred, with $10.1 million recognized in net income during 2021, of which $3.1 million was earned and recognized during the fourth quarter.

Spartan issued a convertible unsecured non-interest bearing promissory note with a principal amount $50.0 million (the "**Convertible Note**") in connection with the Inception Acquisition. The Convertible Note was measured at fair value through profit or loss ("**FVTPL**") and was revalued based on Spartan's closing share price at the end of each reporting period. The fair value of the Convertible Note increased from $25.3 million on the issue date of March 18, 2021 to $30.9 million on the conversion date of September 29, 2021, resulting in a loss of $5.6 million due to appreciation of the Company's share price from $3.88 to $5.26 on the respective dates of issuance and conversion (see also, "Capital Resources and Liquidity – Convertible Promissory Note").

INCOME TAXES

	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Current income tax	**-**	-	-	**-**	-	-
Deferred income tax expense (recovery)	**24,800**	4,250	484	**22,307**	(6,625)	(437)
Income tax expense (recovery)	**24,800**	4,250	484	**22,307**	(6,625)	(437)

Spartan recognized deferred tax expense of $22.3 million for the year ended December 31, 2021, driven by $24.8 million of deferred tax expense in the fourth quarter which more than offset the recovery reported for the first nine months of the year. The increase in deferred tax expense in 2021 is primarily due to the significant increase in net income before taxes compared to the corresponding periods of 2020. In addition, Spartan incurred and renounced $54.0 million of Canadian development expenses in connection with the Flow-Through Private Placement which increased the Company's deferred tax expense by $10.1 million in 2021 (net of the premium on flow-through shares).

Spartan's combined federal and provincial statutory tax rate was 23.0% during the year ended December 31, 2021, compared to an average of 24.0% for the year ended December 31, 2020. A detailed reconciliation of the deferred income tax expense or recovery reported to the expected amount of tax expense or recovery based on the statutory rate is provided in note 14 of the Annual Financial Statements. The difference between Spartan's reported deferred tax expense for 2021 of $22.3 million compared to the expected tax expense of $82.0 million based on Spartan's income before tax at the statutory tax rate, is primarily due to the impact of flow-through shares, gains on acquisitions which are not taxable, and due to recognition of a previously unrecognized deferred tax asset related to non-capital losses ("**NCLs**") acquired through the January 2021 Acquisition. Spartan's accounting policy is to recognize the previously unrecognized NCLs in proportion to the estimated amount of taxable income generated each period, or when it is reasonably certain that the NCLs will be utilized, resulting in a recovery of $41.8 million for the year ended December 31, 2021, of which $12.9 million was recognized in the fourth quarter. Approximately $2.3 million of deferred income taxes were charged directly to equity in respect of share issue costs incurred during 2021 (2020 – $1.5 million).

Spartan was not required to pay income taxes in the current or prior year as the Company had sufficient income tax deductions available to shelter taxable income. The acquisitions completed during 2021 have materially enhanced

Spartan's future tax horizon. As at December 31, 2021, Spartan has recognized a deferred tax asset of $142.9 million compared to a deferred tax liability of $8.8 million at December 31, 2020. Total available tax pools are estimated to be approximately $1.8 billion at December 31, 2021, up from $117.5 million as of December 31, 2020. The composition of the Company's estimated available tax pools as at December 31, 2021 is summarized below:

(CA$ thousands, unless otherwise indicated)	Deduction Rate (1)	**Amount**	% of Total
Canadian oil and gas property expenses (COGPE)	10%	**169,049**	9
Canadian development expenses (CDE)	30%	**390,961**	22
Canadian exploration expenses (CEE)	100%	**90,293**	5
Undepreciated capital cost (UCC) (2)	25%	**185,341**	10
Share issue costs (SIC)	5 years	**13,462**	1
Scientific research & experimental development (SR&ED)	100%	**27,999**	2
Non-capital losses (NCL) (3)(4)	100%	**929,100**	51
Total available tax pools (estimate) (4)		**1,806,205**	100

(1) The rates shown represent the maximum annual deduction permitted on a declining balance basis, except for share issue costs which are deductible on a straight-line basis over 5 years.

(2) The majority of the UCC balance relates to Class 41 assets which are deductible at 25% per year.

(3) NCLs expire in years 2032 to 2040.

(4) The estimate of "available" tax pools excludes certain successored resource deductions inherited through acquisitions which are not expected to be available for use by Spartan at this time.

NET INCOME AND COMPREHENSIVE INCOME

	Three months ended December 31			Year ended December 31		
(CA$ thousands, unless otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Revenue	**267,005**	41,975	536	**552,200**	90,839	508
Expenses	**(136,269)**	(33,437)	308	**(299,199)**	(83,714)	257
Income before derivatives, other items and taxes (1)	**130,736**	8,538	1,431	**253,001**	7,125	3,451
Gain (loss) on derivative financial instruments	**17,530**	7,662	129	**(28,357)**	(4,095)	592
Other income, net of other expenses (2)	**4,989**	408	1,123	**131,883**	38,008	247
Income before income taxes	**153,255**	16,608	823	**356,527**	41,038	769
Income tax expense (recovery)	**24,800**	4,250	484	**22,307**	(6,625)	(437)
Net income and comprehensive income	**128,455**	12,358	939	**334,220**	47,663	601
WA Shares outstanding – basic (000s)	**153,128**	58,220	163	**115,555**	44,848	158
WA Shares outstanding – diluted (000s) (3)	**169,091**	68,859	146	**133,458**	55,403	141
Net income $ per share – basic	**0.84**	0.21	300	**2.89**	1.06	173
Net income $ per share – diluted (3)	**0.76**	0.18	322	**2.50**	0.86	191

(1) The subtotal "income before derivative, other items and taxes" is provided to supplement the discussion below. It does not have a standardized meaning under IFRS and may not be directly comparable to other issuers.

(2) Net income reported each period is impacted by other items in addition to the profit or loss generated by the Company's routine development and production operations. These other items primarily relate to A&D activities and are described under the heading "Other Income (Expenses)" in this MD&A.

(3) In computing diluted net income per share for the comparative periods of 2020, the effect of stock options was excluded because the stock options were not in-the-money based on the volume weighted average share price in the periods.

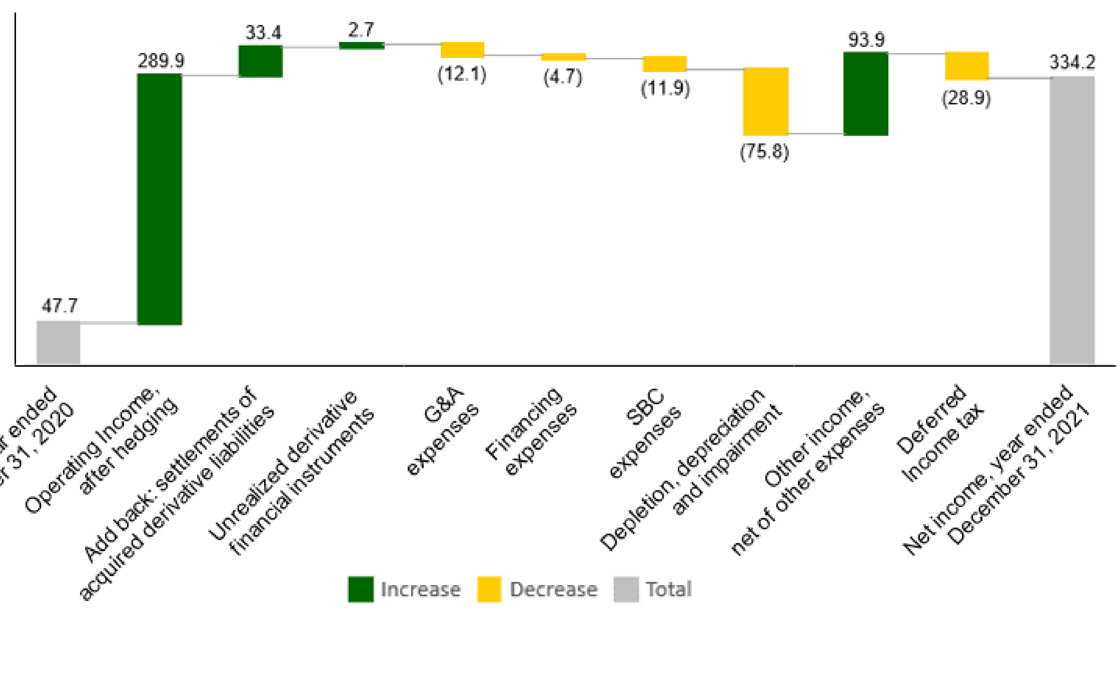
Spartan generated net income of $128.5 million ($0.76 per share, diluted) during the fourth quarter of 2021, up from net income of $12.4 million ($0.18 per share, diluted) in the fourth quarter of 2020. The material increase in net income relative to the comparative quarter is driven by profit from the Company's core business operations which have grown exponentially over the past twelve months through the acquisitions and drilling program. The impact of higher production coupled with strong commodity prices is highlighted by the more than 500% increase in revenue which contributed to $130.7 million of income before derivatives, other items and taxes for the three-month period ended December 31, 2021. In the same quarter of 2020, income before derivatives, other items and taxes was $8.5 million. Spartan's net income for the fourth quarter of 2021 also includes $5.0 million of other items and a gain of $17.5 million on derivative financial instruments as the unrealized gain on change in fair value of outstanding contracts more than offset realized losses on settlements during the quarter (see also, "Commodity Price Risk Management").

Spartan's net income of $334.2 million ($2.50 per share, diluted) for the year ended December 31, 2021 is driven by $253.0 million of income before derivatives, other items and taxes. The impact of higher commodity prices was softened by $28.4 million of losses on derivative financial instruments. Net income reported for 2021 also reflects the positive impact of the acquisitions on the Company's future tax position. In particular, the aggregate gain of $127.9 million is primarily attributed to the significant tax pools assumed on the corporate acquisitions of Inception and Velvet. In addition, the Company amortized a tax benefit related to the January 2021 Acquisition by $41.8 million which reduced its deferred tax expense. Spartan's resulting deferred tax expense of $22.3 million reported for 2021 represents an effective tax rate of 6% relative to the Company's income before taxes of $356.5 million.

Net income of $47.7 million ($0.86 per share, diluted) for the previous year ended December 31, 2020 was primarily attributed to $38.0 million of other income, net of other expenses, recognized in connection with the BXE Asset Acquisition. Prior to June 1, 2020, the Company did not have significant assets or operations.

The chart below summarizes the components of the change in net income for the year ended December 31, 2021 compared to the previous year ended December 31, 2020, using the change in Operating Income, after hedging as the starting point.

Change in Net Income – 2020 to 2021 ($ millions)



CASH PROVIDED BY OPERATING ACTIVITIES AND ANALYSIS OF OTHER NON-GAAP MEASURES

The following table outlines the components of cash provided by operating activities for the fourth quarter of 2021 compared to the fourth quarter of 2020, as well as the average Netback ($ per BOE) for each component. The subtotals provided in the table for Operating Income, Funds from Operations, and Adjusted Funds Flow are used by Spartan as key performance measures but are not intended to replace to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Refer to advisories under "Non-GAAP Measures and Ratios".

Three months ended December 31st	Amount			$ per BOE		
(CA$ thousands, except per BOE amounts)	**2021**	2020	%	**2021**	2020	%
Oil and gas sales, net of royalties	**263,687**	40,397	553	**39.57**	16.88	134
Processing and other revenue	**2,405**	1,578	52	**0.36**	0.66	(45)
Operating expenses	**(50,125)**	(13,583)	269	**(7.52)**	(5.68)	32
Transportation expenses	**(16,081)**	(3,288)	389	**(2.41)**	(1.37)	76
Operating Income / Netback, before hedging (1)	**199,886**	25,104	696	**30.00**	10.49	186
Settlements on Commodity Derivative Contracts (1)(2)	**(42,551)**	(2,164)	1,866	**(6.39)**	(0.90)	610
Net Pipeline Transportation Margin (1)(3)	**(1,685)**	-	-	**(0.25)**	-	-
Operating Income / Netback, after hedging (1)	**155,650**	22,940	579	**23.36**	9.59	144
G&A expenses	**(7,426)**	(3,551)	109	**(1.12)**	(1.48)	(24)
Interest expense, net of interest income	**(7,226)**	(450)	1,506	**(1.08)**	(0.19)	468
Financing cost of lease liabilities (4)	**(799)**	-	-	**(0.12)**	-	-
Realized foreign exchange gain	**252**	-	-	**0.04**	-	-
Settlement of decommissioning obligations	**(1,056)**	(693)	52	**(0.16)**	(0.29)	(45)
Transaction costs	**71**	(7)	nm	**0.01**	-	-
Funds from Operations (1)	**139,466**	18,239	665	**20.93**	7.63	174
Change in non-cash working capital	**8,509**	(2,175)	(491)	**1.28**	(0.91)	(241)
Cash provided by operating activities	**147,975**	16,064	821	**22.21**	6.72	231
Funds from Operations (1)	**139,466**	18,239	665	**20.93**	7.63	174
Add back: transaction costs	**(71)**	7	nm	**(0.01)**	-	-
Deduct: lease payments (4)	**(2,369)**	(1,450)	63	**(0.36)**	(0.61)	(41)
Adjusted Funds Flow (1)	**137,026**	16,796	716	**20.56**	7.02	193
Adjusted Funds Flow per share (1)						
Basic ($ per common share)	**0.89**	0.29	207			
Diluted ($ per common share)	**0.80**	0.24	233			

(1) Refer to "Non-GAAP Measures" section of this MD&A.

(2) Includes the realized loss on derivative financial instruments for the three months ended December 31, 2021, plus settlement of $25.2 million of derivative liabilities acquired in connection with the Velvet Acquisition.

(3) Pipeline transportation revenue, net of pipeline transportation expense.

(4) In the fourth quarter of 2020, Spartan presented the total cash lease payment of $1.5 million within financing activities in the Consolidated Statements of Cash Flow which included $0.7 million of financing costs and $0.8 million reduction of principal. The presentation in the Consolidated Statements of Cash Flow was revised in the fourth quarter of 2021 to present the financing cost portion of the lease payment of $0.8 million within cash provided by operating activities. The $2.4 million lease payment deducted from Funds from Operations to arrive at Adjusted Funds Flow is equal to the principal portion presented within financing activities.

Spartan generated $139.5 million of Funds from Operations for the three months ended December 31, 2021 compared to $18.2 million in the same quarter of 2020. The increase in Funds from Operations is driven by higher Operating Income, partly offset by hedging losses, incremental G&A and financing costs in conjunction with the acquisitions. The Company's average Operating Netback was $30.00 per BOE before hedging ($23.36 per BOE after hedging) for the fourth quarter of 2021, up 186% from $10.49 per BOE before hedging ($9.59 per BOE after hedging) reflecting the recovery of oil and gas prices compared to the fourth quarter of 2020. In addition, integration of the Velvet Acquisition contributed to stronger corporate average Operating Netbacks for Spartan, as higher realized pricing on its crude oil production, along with lower average royalties, more than offsets higher average operating and transportation expenses compared to the Deep Basin assets.

Adjusted Funds Flow was $137.0 million ($0.80 per share, diluted) for the fourth quarter of 2021, excluding transaction costs and after deducting $2.4 million of lease payments from Funds from Operations. The 233% increase in diluted AFF per share highlights the accretive impact of the Montney acquisitions.

Total cash provided by operating activities of $148.0 million for the three months ended December 31, 2021 includes a positive change in non-cash working capital related to operating activities of $8.5 million. The change in non-cash working capital can vary significantly each period based on seasonal changes in corporate activity levels, the impact of production levels and commodity prices on accrued revenue receivable, and timing of processing payments, among other factors. During the fourth quarter of 2021, the increase in accounts payable and accrued liabilities exceeded the change in accounts receivable and other current assets related to operating activities. As a result, Spartan's cash provided by operating activities is higher than its reported Funds from Operations.

For the year ended December 31, 2021, Spartan's cash provided by operating activities was $279.8 million driven by Funds from Operations of $297.8 million less the net change in non-cash working capital of $18.0 million. Funds from Operations increased by 787% from $33.6 million in 2020 which only included seven months of operations from BXE Asset Acquisition. The increase in Funds from Operations is driven by higher Operating Income, partly offset by hedging losses, incremental G&A, financing costs and higher transaction costs incurred in conjunction with the acquisitions in 2021. Cash expenditures to settle decommissioning obligations were $2.1 million in 2021 compared to $1.4 million in 2020. Spartan settled an additional $2.3 million of decommissioning obligations with government funding through the Alberta SRP program which does not impact the Company's cash flow ($0.2 million of SRP funding in 2020).

Adjusted Funds Flow was $294.0 million ($2.18 per share, diluted) for the year ended December 31, 2021, after adding back $4.0 million of transaction costs on acquisitions and deducting $7.9 million of lease payments from Funds from Operations. On a diluted per share basis, Spartan's Adjusted Funds Flow increased by 269% from $0.59 per share in 2020.

The following table summarizes the components of cash provided by operating activities for the years ended December 31, 2021 and 2020, as well as the average Netback ($ per BOE) for each component:

Year ended December 31st	**Amount**			**$ per BOE**		
(CA$ thousands, except per BOE amounts)	**2021**	2020	**%**	**2021**	2020	%
Oil and gas sales, net of royalties	**541,503**	87,450	519	**31.12**	15.50	101
Processing and other revenue	**9,317**	3,389	175	**0.54**	0.60	(10)
Operating expenses	**(115,011)**	(34,476)	234	**(6.61)**	(6.11)	8
Transportation expenses	**(34,738)**	(7,665)	353	**(2.00)**	(1.36)	47
Operating Income / Netback, before hedging (1)	**401,071**	48,698	724	**23.05**	8.63	167
Settlements on Commodity Derivative Contracts (1)(2)	**(61,376)**	(958)	6,307	**(3.53)**	(0.17)	1,976
Net Pipeline Transportation Margin (1)(3)	**(2,083)**	-	-	**(0.12)**	-	-
Operating Income / Netback, after hedging (1)	**337,612**	47,740	607	**19.40**	8.46	129
G&A expenses	**(21,345)**	(9,235)	131	**(1.22)**	(1.64)	(26)
Interest expense, net of interest income	**(10,268)**	(1,197)	758	**(0.59)**	(0.21)	181
Financing cost of lease liabilities (4)	**(2,914)**	-	-	**(0.17)**	-	-
Realized foreign exchange gain	**290**	-	-	**0.02**	-	-
Other income	**540**	-	-	**0.03**	-	-
Settlement of decommissioning obligations	**(2,069)**	(1,429)	45	**(0.12)**	(0.25)	(52)
Transaction costs	**(4,002)**	(2,285)	75	**(0.23)**	(0.40)	(43)
Funds from Operations (1)	**297,844**	33,594	787	**17.12**	5.96	187
Change in non-cash working capital	**(18,078)**	(1,385)	1,205	**(1.04)**	(0.26)	300
Cash provided by operating activities	**279,766**	32,209	769	**16.08**	5.70	182
Funds from Operations (1)	**297,844**	33,594	787	**17.12**	5.96	187
Add back: transaction costs	**4,002**	2,285	75	**0.23**	0.40	(43)
Deduct: lease payments (4)	**(7,860)**	(3,392)	132	**(0.45)**	(0.60)	(25)
Adjusted Funds Flow (1)	**293,986**	32,487	805	**16.90**	5.76	193
Adjusted Funds Flow per share (1)						
Basic ($ per common share)	**2.54**	0.72	253			
Diluted ($ per common share)	**2.18**	0.59	269			

(1) Refer to "Non-GAAP Measures" section of this MD&A.

(2) Includes the realized loss on derivative financial instruments for the year ended December 31, 2021, plus settlement of $33.4 million of derivative liabilities acquired with the Velvet Acquisition.

(3) Pipeline transportation revenue, net of pipeline transportation expense.

(4) In 2020, Spartan presented the total cash lease payment of $3.4 million within financing activities in the Consolidated Statements of Cash Flow which included $1.7 million of financing costs and $1.7 million reduction of principal. In 2021, the presentation in the Consolidated Statements of Cash Flow was revised to present the financing cost portion of the lease payment of $2.9 million within cash provided by operating activities. The $7.9 million lease payment deducted from Funds from Operations to arrive at Adjusted Funds Flow is equal to the principal portion presented within financing activities.

CASH USED IN INVESTING ACTIVITIES AND CAPITAL EXPENDITURES

Following the recapitalization of the Company in December 2019, Spartan had been focused on growing the Company through a targeted acquisition and consolidation strategy. The Company's first transformational transaction was completed in June 2020 for total consideration of $108.8 million and established Spartan's core operating area in the Alberta Deep Basin. Since then, Spartan has completed several acquisitions which added a second core development area in the northwest Alberta Montney and built on the Deep Basin assets through smaller tuck-in acquisitions. The acquisition of Velvet completed the strategic platform that Spartan had been building and the near-term focus has shifted to execution of the Company's drilling program.

The following table summarizes Spartan's Capital Expenditures during the fourth quarters and years ended December 31, 2021 and 2020. Capital Expenditures does not have a standardized meaning under IFRS and may not be directly comparable to measures used by other companies. The most directly comparable GAAP measure is cash used in investing activities which was $98.2 million for the fourth quarter and $925.7 million for the year ended December 31, 2021 (refer to reconciliation provided under the heading "Non-GAAP Measures and Ratios").

CAPITAL EXPENDITURES	Three months ended December 31			Year ended December 31		
(CA$ thousands)	**2021**	2020	%	**2021**	2020	%
Land and seismic	**10,434**	151	6,810	**18,140**	1,302	1,293
Drilling and completion	**86,780**	11,324	666	**142,372**	11,642	1,123
Facilities, pipeline and well equipment	**13,683**	1,779	669	**20,690**	2,011	929
Production optimization and other assets	**3,084**	749	312	**6,072**	1,865	226
Capitalized G&A	**1,701**	-	-	**1,701**	-	-
Capital Expenditures, before A&D (1)	**115,682**	14,003	726	**188,975**	16,820	1,024
Acquisitions (2)	**253**	431	(41)	**423,972**	109,213	288
Dispositions	**-**	(88)	(100)	**(453)**	(164)	176
Capital Expenditures (1)(2)	**115,935**	14,346	708	**612,494**	125,869	387

(1) Refer to "Non-GAAP Measures and Ratios" for the reconciliation to cash used in investing activities.
(2) Excludes non-cash consideration for acquisitions, refer to additional information in the "2021 Acquisitions" table below.

Spartan's Capital Expenditures before A&D were $189.0 million in 2021, of which $115.7 million was spent during the fourth quarter. While the majority of capital expenditures were incurred to drill, complete and equip new wells, the Company also spent $18.1 million to acquire land and seismic in its core areas and spent $5.4 million on production optimization projects. The Company's exploration and development capital expenditures were fully funded by cash provided by operating activities during the current and prior year.

Spartan executed an eight well winter drilling program in its core area at Ferrier, Alberta, during the fourth quarter of 2020 and first quarter of 2021. The program included 1.0 net Cardium well and 7.0 net Spirit River wells, two of which were completed and brought on production in December 2020 and the remaining six wells were brought on-stream throughout the first quarter of 2021. Spartan kicked off its drilling program for the second half of 2021 in late June. The Company drilled an additional 18.3 net wells in the Deep Basin, of which 15.9 net wells were completed and on production by the end of the fourth quarter. Spartan also drilled 10.0 net wells in the Montney, of which 7.0 wells were brought on production during the fourth quarter 2021, and the remaining 3.0 wells will be completed in the first quarter of 2022.

DRILLING ACTIVITY	Three months ended December 31		Year ended December 31	
Number of Net Wells	**2021**	2020	**2021**	2020
Drilled	**16.4**	4.0	**32.3**	4.0
Completed	**19.4**	2.0	**27.9**	2.0
On production	**15.9**	2.0	**28.9**	2.0
Service	**1.0**	-	**1.0**	-

Total consideration for the acquisitions completed during 2021 was $569.8 million, comprised of: $424.0 million of cash consideration after closing adjustments; the issuance of 30.5 million common shares valued at $120.5 million; and the issuance of a convertible promissory note with an acquisition date fair value of $25.3 million. In addition, Spartan assumed Net Debt of $387.5 million in connection with the corporate acquisitions. Transaction costs of $4.0 million in aggregate were expensed during the year in respect of acquisitions accounted for as business combinations under IFRS 3.

The following table summarizes the aggregate consideration paid for acquisitions during the year ended December 31, 2021 and the estimated fair value of the net identifiable assets acquired on the respective acquisition dates.

(CA$ thousands)

2021 ACQUISITIONS	**Inception**	**Simonette**	**Velvet**	**Ferrier**	**Other**	**Total**
Cash consideration, after adjustments	-	14,659	355,879	37,500	15,934	423,972
Common share consideration	92,089	5,794	13,231	-	9,380	120,494
Convertible promissory note	25,293	-	-	-	-	25,293
Total consideration	**117,382**	**20,453**	**369,110**	**37,500**	**25,314**	**569,759**
Net working capital [3]	(3,620)	-	(33,137)	1,659	129	(34,969)
Indebtedness repaid at closing	-	-	(352,488)	-	-	(352,488)
Net Debt assumed or repaid [3]	**(3,620)**	**-**	**(385,625)**	**1,659**	**129**	**(387,457)**
Derivative financial instrument liability, net	-	-	(94,203)	-	-	(94,203)
Other non-current assets	7,500	-	-	-	-	7,500
Exploration and evaluation assets	7,163	3,053	60,757	460	10,844	82,277
Property, plant and equipment	109,976	35,577	753,167	43,972	8,998	951,690
Right-of-use assets	1,048	-	4,364	-	-	5,412
Lease liabilities	(1,048)	-	(4,435)	-	-	(5,483)
Decommissioning obligations [2]	(1,800)	(18,177)	(10,370)	(341)	(3,104)	(33,792)
Deferred income tax asset	33,899	-	134,459	(5,136)	8,447	171,669
Fair value of net assets acquired [1]	**153,118**	**20,453**	**458,114**	**40,614**	**25,314**	**697,613**
Gain on acquisition [1]	**(35,736)**	**-**	**(89,004)**	**(3,114)**	**-**	**(127,854)**
Total Consideration including Net Debt [4]	**121,002**	**20,453**	**754,735**	**35,841**	**25,185**	**957,216**
Acquisition closing date	March 18	March 18	August 31	September 3	Various	
Average production acquired (BOE/d) [5]	3,700	4,425	21,300	1,850	500	
% Oil and NGLs [5]	54%	18%	51%	30%	45%	

(1) The fair values of identifiable assets and liabilities acquired and resulting gains on acquisition are based on management's best estimates based on information available at the time of preparing the Annual Financial Statements. The reader is cautioned that future revisions to these estimates over the measurement period (one year from the respective closing dates) could result in a material change from the amounts reported herein.

(2) The aggregate fair value of decommissioning obligations acquired of $33.8 million was estimated by discounting the inflated cost estimates using "credit-adjusted risk-free rates" ranging from 6.1% to 7.0% on the respective closing dates of the acquisitions. Subsequent remeasurement of the decommissioning obligations acquired at a risk-free rate under Spartan's accounting policy resulted in an increase in the present value of decommissioning obligations acquired by $36.9 million to $70.7 million in aggregate.

(3) (i) Net working capital includes cash acquired on corporate acquisitions of $24.6 million in aggregate. (ii) For purposes of this table only, Net Debt (and the components thereof) are presented as negative numbers and the Net Surplus (and the components thereof) is presented as a positive number. This differs from the presentation of Net Debt (Surplus) throughout this MD&A.

(4) "Total Consideration including Net Debt" does not have a standardized meaning under IFRS. Refer to "Non-GAAP Measures and Ratios – Adjusted Net Capital Acquisitions".

(5) Based on average production volumes at the time of closing of the respective acquisitions. A breakdown of production acquired by product type is provided for significant acquisitions in the narrative below.

Inception Acquisition

On March 18, 2021, Spartan closed the acquisition of Inception by way of an exempt take-over bid for total consideration of $117.4 million, plus the assumption of Inception's estimated working capital deficit of $3.6 million. Inception was an oil-weighted Montney focused private company with operations primarily in the Gold Creek area of northwest Alberta. The Inception Acquisition anchors a second core development area for Spartan with over 30,000 net acres of delineated Montney acreage, production of approximately 3,700 BOE per day during March (45% crude oil, 9% NGLs, 46% natural gas), and 100% working interests in a 10 Mbbl/d operated central oil battery and a 40 MMcf/d operated natural gas processing facility in Gold Creek with excess capacity to support significant production growth.

The Company acquired all of the issued and outstanding common shares of Inception in exchange for 23,734,379 common shares of Spartan, the majority of which were issued to a major shareholder and debtholder of Inception, ARETI Energy S.A. ("**ARETI**"). Upon closing of the Inception Acquisition, ARETI assumed ownership and control over Spartan common shares representing approximately 20.8% of the total number of Spartan common shares issued and outstanding on a non-diluted basis (see also, "Related Party Disclosures"). The fair value of common share consideration was $92.1 million based on Spartan's closing share price of $3.88 per common share on March 18, 2021. In addition, Spartan issued a $50.0 million Convertible Note to ARETI. The fair value of the Convertible Note was estimated to be approximately $25.3 million on the acquisition date (see also, "Capital Resources and Liquidity – Convertible Promissory Note").

The net assets acquired were recorded at their estimated fair value on the acquisition date of $153.1 million, as outlined in the table above. A gain of $35.7 million was recognized as the total consideration was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools acquired and the resulting deferred income tax asset of $33.9 million.

The fair value of PP&E was estimated based on fair value less cost to dispose ("**FVLCD**") methodology (Level 3 fair value measurement), calculated using the present value of the expected future cash flows after-tax. The fair value of PP&E and resulting deferred income tax asset and gain on acquisition are highly sensitive to the discount rate used in the FVLCD calculation. Holding all other assumptions constant, if the discount rate increased by 1% (or decreased by 1%):

- the fair value of PP&E would decrease by $6.6 million (increase by $7.0 million);
- the deferred income tax asset would increase by $1.5 million (decrease by $1.6 million); and
- the gain on acquisition would decrease by $5.1 million (increase by $5.4 million).

Inception was vertically amalgamated with Spartan on the closing date. A wholly owned subsidiary of Inception was not amalgamated and continues to operate as a separate legal entity. The operations and balances of the subsidiary have been consolidated and are not material to Spartan.

Simonette Acquisition

On March 18, 2021, Spartan acquired certain crude oil and natural gas assets located primarily in the Simonette area of northwest Alberta for total consideration of $20.5 million after estimated closing adjustments. The gross purchase price was comprised of the issuance of 1,493,180 common shares and $17.2 million of cash, before closing adjustments. Adjustments to the cash purchase price were estimated to be approximately $2.5 million between the effective date of January 1, 2021 and closing. The fair value of the common share consideration was $5.8 million based on Spartan's closing share price of $3.88 per common share on March 18, 2021.

Production from the acquired assets was approximately 4,425 BOE per day (5% crude oil, 13% NGLs, 82% natural gas) at the time of the acquisition. Spartan expects the mature production base to decline by less than 20% annually. The Simonette Acquisition also included over 54,000 net acres of Montney acreage and a significant infrastructure component, including a 50% working interest in a 120 MMcf/d natural gas processing facility at Simonette, water disposal facilities, and an extensive network of field gathering infrastructure and roads, which are expected to support current volumes, third party volumes and anticipated future growth. Spartan has identified opportunities for optimization of the underexploited resource base as minimal capital was deployed to the assets in recent years due to financial constraints of the previous operator.

Velvet Acquisition

On August 31, 2021, Spartan closed the acquisition of Velvet, a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr and Pouce Coupe areas of northwest Alberta, for a total transaction value of approximately $754.7 million inclusive of Velvet's Net Debt estimated to be $385.6 million on the closing date. The Velvet Acquisition was completed pursuant to an exempt take-over bid whereby Spartan acquired all issued and outstanding shares of Velvet in consideration for $355.9 million of cash and the issuance of 2,986,782 common shares. The fair value of the common share consideration was $13.2 million based on Spartan's closing share price of $4.43 per common share on August 31, 2021.

The Velvet Acquisition further consolidated and added material scale to the Company's Montney focused core development area in northwest Alberta, building on the position acquired during the first half of 2021. Production from the Velvet assets was estimated to be approximately 21,300 BOE per day for the month of September (crude oil 43%, NGLs 8 %, natural gas 49%). Significant growth opportunities have been identified across the 286,700 gross (281,700 net) acres of high working interest Montney Crown land, on which there is an extensive inventory of identified Montney drilling locations.

The core assets acquired at Gold Creek represent more than 80% of Velvet's current production and include approximately 138,800 net acres (217 net sections) of contiguous Montney rights directly offsetting Spartan's Gold Creek acreage acquired pursuant to the Inception Acquisition. The majority of the Velvet Gold Creek lands have been approved under Alberta's Emerging Resource Program, under which certain wells qualify for an enhanced royalty benefit which extends the 5% Crown royalty until the benefits expire in 2029. Integrated water recycling infrastructure at Gold Creek includes approximately 20 kilometers of produced water pipelines, nine disposal wells and a 100,000 cubic meter water storage pond. This infrastructure will provide a solid foundation for long-term sustainable development by ensuring reliable access to water while minimizing freshwater usage in completion operations.

The Velvet assets at Karr are located between the Gold Creek and Simonette areas and add to Spartan's existing land position at Karr, which was recently acquired through the Canoe Acquisition (defined below). Karr will be a focus area for continued development and growth as the wells drilled to date are some of the most prolific Montney oil wells in the basin. In addition, the Velvet assets are expected to provide further organic growth opportunities through low-risk Montney oil development at Pouce Coupe as well as significant undeveloped upside potential at Flatrock, an emerging resource property located in northeastern British Columbia. The production profile characteristics of the Velvet assets compliments Spartan's current suite of assets, increasing oil-weighted production and drilling inventory while also providing further commodity diversification to the Company's portfolio.

Velvet's tax pools are estimated to be approximately $1.3 billion (approximately 50% non-capital losses), which further extend the Company's tax horizon as Velvet was vertically amalgamated with Spartan on the closing date.

The net assets acquired were recorded at their estimated fair value on the acquisition date of $458.1 million, as outlined in the table above. A gain of $89.0 million was recognized as the total consideration was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools acquired and the resulting deferred income tax asset $134.5 million.

The fair value of PP&E was estimated based on FVLCD methodology (Level 3 fair value measurement), calculated using the present value of the expected future cash flows after-tax. The fair value of PP&E and resulting deferred income tax asset and gain on acquisition are highly sensitive to the discount rate used in the FVLCD calculation. Holding all other assumptions constant, if the discount rate increased by 1% (or decreased by 1%):

- the fair value of PP&E would decrease by $34.4 million (increase by $37.2 million);
- the deferred income tax asset would increase by $7.9 million (decrease by $8.6 million); and
- the gain on acquisition would decrease by $26.5 million (increase by $28.7 million).

Ferrier Acquisition

The Ferrier Acquisition was completed on September 3, 2021, pursuant to which Spartan acquired the issued and outstanding securities of two arms-length private entities for cash consideration of $37.5 million ($35.8 million net of positive working capital). The assets acquired are located in the Ferrier area of Alberta, adjacent to the Company's core properties in the Deep Basin and included average production of approximately 1,850 BOE per day (4% condensate, 26% NGLs and 70% natural gas) during September. The assets acquired include several top tier Spirit River drilling locations which have been layered into the Company's near-term development plan. Current and future volumes from the Ferrier Acquisition will be re-routed to flow through Spartan's infrastructure, benefiting from Spartan's low operating cost structure.

The net assets acquired were recorded at their estimated fair value on the acquisition date of $40.6 million, as outlined in the table above. The fair value of PP&E was estimated based on FVLCD methodology (Level 3 fair value measurement), calculated using the present value of the expected future cash flows after-tax. A gain of $3.1 million was recognized as the total consideration was less than the estimated fair value of the net assets acquired. The gain is attributed to the distressed nature of the transaction which was completed through a court supervised restructuring process. In the fourth quarter of 2021, Spartan acquired an additional corporate entity for nominal consideration which held the tax pools related to the assets acquired through the Ferrier Acquisition. The fair value of the tax pools is reflected as a reduction in the deferred tax liability acquired.

Other Acquisitions

January 2021 Acquisition

On January 14, 2021, the Company acquired of all of the issued and outstanding shares of two private companies (the "**January 2021 Acquisition**") for total consideration of $8.2 million ($8.0 million net of $0.2 million of positive working capital assumed). The aggregate purchase price included $0.3 million of cash and 2.0 million common shares valued at $3.95 per common share based on the closing price of Spartan's common shares on the acquisition date. The acquired entities were vertically amalgamated with Spartan on the closing date. The assets acquired primarily include land and non-producing crude oil and natural gas properties in Spartan's new core development area in the Alberta Montney and tax pools.

The January 2021 Acquisition was accounted for as an asset acquisition because the transaction did not meet the definition of a business combination under IFRS 3. Accordingly, the net assets acquired were initially recognized on the balance sheet at their cost of $8.0 million (net of working capital), which was allocated to the individual identifiable assets and liabilities based on relative fair values. The purchase price allocation resulted in a deferred income tax asset of $8.5 million, decommissioning obligations of $0.5 million, and the proportionate value allocated to exploration and evaluation assets ("**E&E**") and PP&E was not significant. Spartan did not recognize $41.8 million of the deferred tax asset on initial recognition of the January 2021 Acquisition. The tax benefit was subsequently recognized in Spartan's net income as a reduction of deferred tax expense with $12.9 million and $41.8 million recognized in the fourth quarter and year ended December 31, 2021, respectively.

Willesden Green Acquisition

On March 5, 2021, Spartan closed an acquisition of producing crude oil and natural gas assets located at Willesden Green, Alberta, for cash consideration of $5.2 million after estimated closing adjustments (the "**Willesden Green Acquisition**"). The assets acquired are contiguous with Spartan's existing core operating assets in west-central Alberta and include a combination of royalty and working interest production, as well as interests in associated infrastructure. Approximately 300 BOE per day of royalty interests acquired were previously royalty obligations of the Company. These royalty volumes are not included in Spartan's reported production or sales revenue, but rather they will improve cash flows by reducing overriding royalty expenses. Working interest production was approximately 200 BOE per day (95% gas) at the time of the acquisition. The purchase price for the Willesden Green Acquisition was allocated to the net assets acquired based on estimated fair values, including $6.7 million of PP&E, $0.2 million of E&E and $1.7 million of decommissioning obligations.

Canoe Acquisition

On May 21, 2021, Spartan closed the acquisition of Canoe Point Energy Ltd. ("**Canoe**") pursuant to which the Company acquired all of the issued and outstanding shares of Canoe (the "**Canoe Shares**"). Canoe was a private company holding 15,360 net acres of undeveloped Montney land in the Karr area of northwest Alberta. The total purchase price of $1.5 million was satisfied through the issuance of 306,271 common shares of Spartan, including the assumption of less than $0.1 million of net debt (the "**Canoe Acquisition**"). Certain officers and directors of Spartan had ownership and control over 48% of the Canoe Shares. As a result, the Canoe Acquisition constituted a "related party transaction" and was recorded at the exchange amount (see also, "Related Party Disclosures"). Canoe was vertically amalgamated with Spartan concurrent with Velvet on August 31, 2021.

Gold Creek Property Acquisitions

On June 17, 2021, Spartan closed an acquisition of 33,500 net acres of Montney lands and approximately 300 BOE per day production behind pipe for cash consideration of $10.0 million after estimated closing adjustments. The assets acquired are contiguous with Spartan's existing core operating assets in the Gold Creek and Simonette areas. The purchase price was allocated to the net assets acquired based on estimated fair values, including $2.3 million of PP&E, $8.6 million of E&E and $0.9 million of decommissioning obligations.

Spartan spent an additional $0.4 million on other undeveloped land acquisitions during 2021 to fill in a gap in the Company's contiguous land holdings in the Gold Creek area.

DECOMMISSIONING OBLIGATIONS

As at December 31, 2021, the Company's total decommissioning obligations are estimated to be $171.8 million, of which $3.6 million are expected to be settled over the next twelve months. Spartan is committed to environmental stewardship and seeks to maintain an industry leading Liability Management Rating with a proactive program to address its decommissioning obligations. The Company spent $2.1 million on decommissioning during 2021 and settled an additional $2.3 million of liabilities through abandonment and reclamation projects funded through the Alberta Site Rehabilitation Program. Recoveries under the SRP are recognized in the financial statements in the period in which the work is completed.

The carrying amount of Spartan's decommissioning obligations increased by $73.7 million from $98.1 million at December 31, 2020, to $171.8 million at December 31, 2021. The majority of the change is attributed to obligations acquired of $70.7 million, partly offset by a $5.6 million decrease in the present value resulting from an increase in the risk-free discount rate from 1.2% at December 31, 2020 to 1.7% at December 31, 2021. The increase in the discount rate during 2021 reflects the improved economic outlook and recovery of long-term Canadian benchmark bond yields compared to 2020. The Company's annual inflation rate assumption is unchanged at 2.0%.

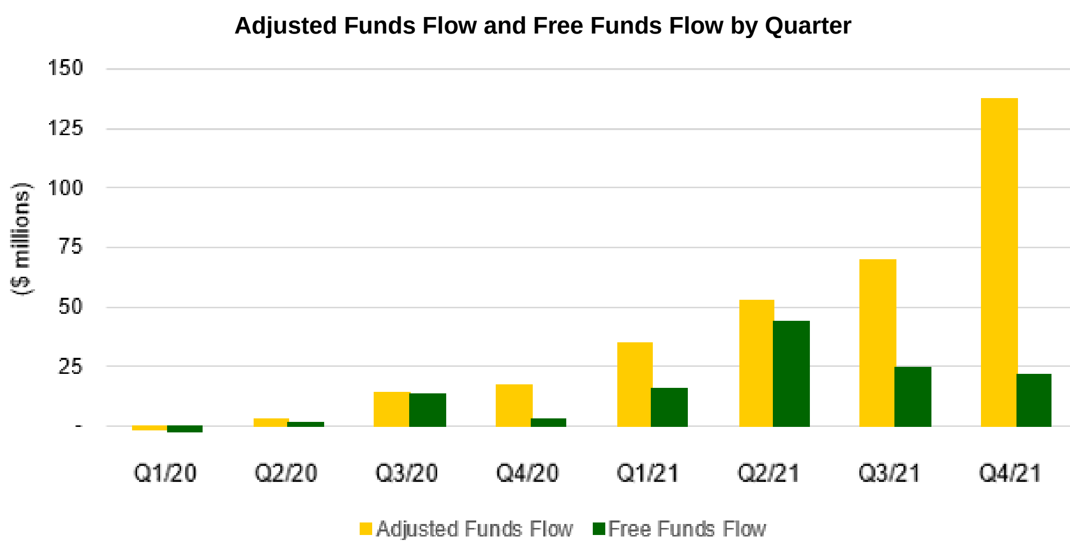
CAPITAL RESOURCES AND LIQUIDITY

Spartan's capital management objectives are to maintain a flexible capital structure in order to respond to changes in economic conditions, execute on strategic opportunities throughout the business cycle, meet its financial obligations, and fund current and future settlements of decommissioning obligations. The Company seeks to create long-term shareholder value by prioritizing profitability over production growth, as well as investing in projects that are expected to strengthen its overall asset portfolio and suite of internally generated prospects.

During 2021, the Company’s primary sources of funds were $294.0 million of Adjusted Funds Flow, $264.1 million of net proceeds from brokered and non-brokered equity financings, a new $150.0 million Term Facility, supplemented by working capital and bank debt under the Credit Facility with a borrowing base of up to $450.0 million. In addition, Spartan received $0.7 million of cash proceeds on the exercise of stock options and warrants during 2021.

Cash provided by operating activities of $279.8 million for the year December 31, 2021 was used to fund the Company’s exploration and development capital expenditures of $189.0 million, lease principal payments of $7.9 million, and a portion of the cash component of the purchase price for the acquisitions. Total consideration for the acquisitions completed in 2021 was $569.8 million in aggregate, comprised of $424.0 million of cash, $120.5 million of common share consideration, and the issuance the Convertible Note with a fair value of $25.3 million on the acquisition date. In addition, Spartan assumed $387.5 million of net debt in connection with the corporate acquisitions, of which $352.5 million was repaid on the closing date of the Velvet Acquisition. The balance of the purchase price for the acquisitions and Velvet’s debt repayment was funded by equity proceeds and advances under the Term Facility and Credit Facility.

Spartan uses Free Funds Flow as an indication of the amount of funds the Company has available for future capital allocation decisions such as to repay long-term debt, reinvest in the business or return capital to shareholders. Free Funds Flow is a non-GAAP financial measure calculated by Spartan as Adjusted Funds Flow less Capital Expenditures, before A&D (refer to calculation under the heading “Non-GAAP Measures and Ratios”). The following chart summarizes Spartan’s Adjusted Funds Flow and Free Funds Flow over the past eight quarters.



Spartan’s Free Funds Flow was $105.0 million for the year ended December 31, 2021, compared to $15.7 million in the previous year. The amount of Free Funds Flow reported each quarter reflects the seasonality of the Company’s oil and gas operations and the use of Adjusted Funds Flow to finance higher capital expenditures during the winter drilling seasons.

As at December 31, 2021 and 2020, the Company’s capital structure is comprised of working capital, long-term liabilities, and shareholders’ equity. The following table summarizes the Company’s total capitalization based on the market value of Spartan's common shares on the TSX. Spartan's total capitalization increased by 397% to $1.7 billion as of December 31, 2021, of which the market value of common shares represented 55% of the total capitalization.

CAPITALIZATION	December 31, 2021	December 31, 2020	Change %
Common shares outstanding (000s)	**153,214**	58,226	163
Share price (last price traded in the year)	**$5.97**	$2.98	100
Market capitalization of common shares (1)(2)	**914,688**	173,513	427
Current assets	**(110,158)**	(24,690)	
Current liabilities	**243,574**	45,898	
Working capital deficit	**133,416**	21,208	529
Long-term debt	**387,564**	-	-
Long-term portion of:			
Derivative financial instrument liabilities	**11,806**	1,074	999
Lease liabilities	**44,590**	42,913	4
Decommissioning obligations	**168,231**	95,254	77
Total capitalization(2)	**1,660,295**	333,962	397

(1) The carrying value of Spartan's shareholders equity was $886.6 million at December 31, 2021 and $137.5 million at December 31, 2020.

(2) "Market capitalization" and "total capitalization" are supplementary financial measures which do not have standardized meanings under IFRS. The reader is cautioned that these measures may not be directly comparable to other issuers where similar terminology used.

As at December 31, 2021, the Company had a working capital deficit of $133.4 million. The capital-intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment. During the fourth quarter of 2021, Spartan's exploration and development capital expenditures were $115.7 million compared to $14.0 million in the fourth quarter of 2020, driving the increase in working capital deficit compared to the previous year-end. The working capital deficit also includes the current portion of estimated derivative financial instrument liabilities of $52.5 million (net) based on the fair value of commodity price risk management contracts outstanding as of December 31, 2021.

The Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at December 31, 2021, the Company's outstanding bank debt of $245.6 million together with $22.5 million (approximate Canadian dollar equivalent) of issued but undrawn letters of credit represented 60% of the $450.0 million borrowing base under Spartan's Credit Facility, leaving approximately $181.9 million of available borrowing capacity at year-end.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Trailing AFF Ratio", which is a non-GAAP financial ratio calculated as the ratio of the Company's "Net Debt" to "Trailing Adjusted Funds Flow" (definitions and details of the underlying calculation of the annualized Trailing Adjusted Funds Flow are provided under the heading "Non-GAAP Measures and Ratios").

(CA$ thousands, except as noted)	December 31, 2021	December 31, 2020
Working capital deficit	**133,416**	21,208
Adjusted for current portion of:		
Derivative financial instrument assets	**268**	-
Derivative financial instrument liabilities	**(52,783)**	(2,063)
Lease liabilities	**(10,206)**	(6,853)
Adjusted Working Capital deficit	**70,695**	12,292
Long-term debt	**387,564**	-
Net Debt	**458,259**	12,292
Trailing Adjusted Funds Flow	**548,104**	67,184
Net Debt to Trailing AFF Ratio	**0.8x**	0.2x

As at December 31, 2021, Spartan had Net Debt of $458.3 million, which is approximately 0.8 times the Company's Trailing Adjusted Funds Flow for the fourth quarter of 2021. Spartan is also subject to a net debt to cash flow covenant under its Credit Facility, whereby the ratio may not exceed 2.0 to 1.0. For purposes of the Company's Credit Facility compliance, Spartan reported a net debt to cash flow ratio of 1.03 times as at December 31, 2021. The Credit Facility net debt to cash flow ratio is calculated using similar methodology to the Company's Net Debt to Trailing AFF Ratio, with the most significant difference being that the Credit Facility uses 12-month trailing cash flow adjusted for significant acquisitions, versus Spartan's calculation which annualizes Adjusted Funds Flow for the current quarter.

Spartan is well positioned to execute on its short and longer term growth strategy. The Company's exploration and development capital expenditure budget for 2022 will be funded primarily by cash provided by operating activities and may be supplemented by short term advances of bank debt during periods of high capital investment. Spartan plans to direct its forecasted Free Funds Flow primarily to debt repayment in 2022 (see advisories regarding "Forward-Looking Statements").

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at December 31, 2021:

(CA$ thousands)	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	176,971	-	-	-	176,971
Derivative financial instrument liabilities	52,783	11,806	-	-	64,589
Credit Facility (1)	11,541	250,324	-	-	261,865
Term Facility (2)	12,300	28,290	164,410	-	205,000
Undiscounted lease liabilities (3)	12,165	34,806	14,051	3,152	64,174
Total	**265,760**	**325,226**	**178,461**	**3,152**	**772,599**

(1) Includes interest and standby fees at annual rates of 4.7% and $0.8%, respectively, being the applicable rates on the Credit Facility as at December 31, 2021. For purposes of the above table, principal repayment is assumed on the term maturity date of May 31, 2023, however the Company currently expects the credit facilities to be extended at the end of the current revolving period.

(2) Includes interest and annual review fees at an annual rate of 8.2% being the combined average rate applicable to outstanding debt on the Term Facility as at December 31, 2021. Mandatory principal repayments of approximately $0.9 million per month commence on September 1, 2024 and the remaining balance of $127.5 million is repayable on the maturity date of August 31, 2026.

(3) As at December 31, 2021, the present value of the Company's total lease liability is $54.8 million, of which $10.2 million is expected to be settled in the next twelve months.

LONG-TERM DEBT

As at December 31, 2021, total long-term debt of $387.6 million is comprised of $245.6 million of bank debt drawn under the Credit Facility and $150.0 million advanced under the Term Facility. The balance of long-term debt is presented net of $8.0 million of unamortized issue costs and prepaid interest on bankers' acceptances.

Credit Facility

The Company has a senior secured revolving credit facility with a syndicate of financial institutions, co-lead by National Bank of Canada ("**NBC**") and Canadian Imperial Bank of Commerce ("**CIBC**"), along with ATB Financial ("**ATB**"), The Toronto-Dominion Bank ("**TD**"), Bank of Montreal ("**BMO**"), and Canadian Western Bank ("**CWB**") (collectively, the "**Lenders**"). CIBC, TD, and BMO joined the syndicate effective upon closing of the Velvet Acquisition on August 31, 2021, at which time the existing credit facility was amended and restated to, among other things, increase the aggregate commitment amount from $100.0 million to $450.0 million. The amended Credit Facility is comprised of extendible revolving credit facilities consisting of a $50.0 million operating facility and a $400.0 million syndicated facility. As at December 31, 2021, Spartan had drawn $245.6 million on the Credit Facility and has issued approximately $22.5 million of standby letters of credit which are undrawn but reduce the remaining borrowing capacity available under the operating facility.

In January 2022, the Company entered into a new demand letter of credit facility (the "**LC Facility**") which provides Spartan with $25.0 million of additional credit capacity to issue letters of credit. The letters of credit may be issued for general corporate purposes and are limited to a term of one year from the date of issuance. Letter of credit obligations, when incurred, will be repayable on demand. The LC Facility will provide Spartan with additional access to capital as letters of credit issued under the LC Facility will not reduce the borrowing capacity under the operating facility.

The Credit Facility has a revolving period of 364 days, extendible annually at the request of the Company, subject to approval of the Lenders. If not extended, the facilities will automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period. The borrowing base will be subject to semi-annual redeterminations occurring by May 31st and by November 30th of each year, based upon the Company's annual independent engineering report or updates thereto. Notwithstanding the foregoing, the first scheduled review of the borrowing base will be completed by May 31, 2022. The Credit Facility will also be subject to redetermination upon, among other things, the Liability Management Rating of the Company falling below 2.0 or disposing of material properties. There can be no assurance that the Credit Facility will be renewed at the current borrowing base. Repayments of principal are not required until the maturity date, provided that the borrowings do not exceed the authorized borrowing base and the Company is in compliance with all covenants, representations and warranties.

The Company is subject to certain financial covenants under the amended Credit Facility which include: (i) for the period commencing from August 31, 2021 and ending May 31, 2022, the Company's net debt to cash flow ratio (as defined in the credit agreement) shall not exceed 2.0 to 1.0; and (ii) for so long as the following covenants applies to the Term Facility: (A) the maximum funded debt to EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization, as defined in the credit agreement and in note 11 of the Annual Financial Statements), calculated quarterly, shall not exceed 2.5 to 1.0; and (B) the asset coverage ratio of the Company shall not be less than 1.5 to 1.0, calculated annually, as the proved developed producing reserves of the Company (before income tax, discounted at 10%), as evaluated by an independent third party engineering report and evaluated on then strip commodity pricing, divided by the then outstanding funded debt balance of the Company. The Credit Facility also includes other standard business operating covenants, including but not limited to limitations on acquisitions and dispositions, distributions, dividends and hedging arrangements. As at December 31, 2021, Spartan is in compliance with all covenants (refer to note 11 of the Annual Financial Statements).

The Credit Facility provides for borrowings through direct advances, bankers' acceptances, and letters of credit. The applicable margin fluctuates based on a pricing grid dependent upon the Company's net debt to cash flow ratio ranging from less than 0.5 times to greater than 4.5 times, adjusted quarterly. Interest is payable monthly for borrowings through direct advances at the bank's prime rate plus the applicable margin. Borrowings through bankers' acceptances are typically advanced for maturity periods of one to three months and are funded net of interest at the Canadian Dollar Offered Rate ("**CDOR**") plus bank stamping fees at the applicable margin. The Company incurs standby fees on the undrawn facility which also fluctuate based on the applicable margin.

Term Facility

On August 31, 2021, the Company established a $150.0 million non-revolving term facility. The Term Facility is a single drawdown facility made available solely to finance the Velvet Acquisition and has a sixty-month term maturing on August 31, 2026. The Term Facility is secured on a second-priority basis to the Credit Facility and is subject to annual reviews. The principal amount is repayable in scheduled monthly instalments starting on September 1, 2024, being the 37th month, at an amortization rate of 7.5% per annum. The Company has the option to prepay the outstanding balance under the Term Facility at any time after February 26, 2022, provided that if repayment occurs before August 31, 2024, being three years after the issue date, the Company shall pay all interest and fees that would have otherwise been payable up to the 36th month. The Term Facility bears interest at a floating annual interest rate of bank prime plus 5.25%, payable monthly, and is subject to an annual review fee of 0.5%, payable annually. Covenants include the same asset coverage ratio and funded debt to EBITDA financial covenants as the Credit Facility, as described above, and Spartan is in compliance with all covenants as at December 31, 2021.

CONVERTIBLE PROMISSORY NOTE

On March 18, 2021, Spartan issued a $50.0 million unsecured non-interest bearing convertible promissory note in connection with the Inception Acquisition. Under the original terms of the agreement, the Convertible Note had a five-year term and was convertible, in whole or in part, anytime after two years at Spartan's sole discretion, with the conversion price calculated based on the greater of (i) the 10-day volume weighted average trading price immediately preceding delivery of a conversion notice by the Company to the noteholder, and (ii) $7.67 per common share.

On September 29, 2021, the Convertible Note was converted into 5,882,353 common shares of Spartan pursuant to an amending agreement between Spartan and the noteholder, whereby the terms of the Convertible Note were amended allowing for early conversion at a conversion price of $8.50 per common share (see also, "Related Party Disclosures"). The Convertible Note was cancelled upon conversion.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, and an unlimited number of special shares, each without par value. As at December 31, 2021 and as of the date hereof, there are 153.2 million common shares outstanding (58.2 million as at December 31, 2020). There are no preferred shares or special shares outstanding. During the year ended 2021, Spartan issued an aggregate of 58.2 million common shares pursuant to equity financings at an average subscription price of $4.71 per common share for gross proceeds of $274.0 million (details of the foregoing are provided in note 13 of the Annual Financial Statements). An aggregate of 30.5 million common shares were issued as consideration for certain acquisitions, in addition to 5.9 million common shares issued upon conversion of the Convertible Note used to partially finance the Inception Acquisition. In addition, 0.4 million common shares were issued on exercise of stock options and warrants providing $0.7 million of cash proceeds during the year.

Effective September 1, 2021, Spartan's common shares were listed on the TSX and delisted from the TSX Venture Exchange in connection with the graduation. The trading symbol for the common shares on the TSX remains unchanged as "SDE". The volume weighted average trading price of Spartan's shares was $6.04 and $5.02 per common share for the fourth quarter and year ended December 31, 2021. Spartan's closing share price was $5.97 on December 31, 2021 compared to $2.98 on December 31, 2020.

The table below summarizes the weighted average number of common shares outstanding (000s) used in the calculation of diluted EPS and diluted AFF per share:

	Three months ended December 31			Year ended December 31		
(000s)	**2021**	2020	%	**2021**	2020	%
WA Shares outstanding, basic	**153,128**	58,220	163	**115,555**	44,848	158
Dilutive effect of outstanding securities	**15,962**	10,639	50	**17,903**	10,555	70
WA Shares, diluted – for EPS	**169,090**	68,859	146	**133,458**	55,403	141
Incremental dilution for AFF (1)	**1,130**	-	-	**1,329**	-	-
WA Shares, diluted – for AFF (1)	**170,220**	68,859	147	**134,787**	55,403	143

(1) AFF per share does not have a standardized meaning under IFRS, refer to "Non-GAAP Measures".

The total number of outstanding securities of the Company is provided below:

Number of securities outstanding (000s)	December 31, 2020	**December 31, 2021**	**March 8, 2022**
Common shares	58,226	**153,214**	**153,258**
Warrants (1)	16,084	**15,814**	**15,809**
Stock options (2)	3,400	**4,358**	**5,087**
Share awards	-	**1,959**	**3,253**
Total securities outstanding (3)	77,710	**175,345**	**177,407**

(1) The common share purchase warrants have an exercise price of $1.00 per share and are fully vested. If the remaining warrants are exercised by the holders, the warrants will provide aggregate cash proceeds of $15.8 million to the Company.

(2) The outstanding stock options have an average exercise price of $3.36 per common share with an average remaining term of 3.6 years.

(3) The total number of securities outstanding is provided for information purposes only. This calculation does not factor in whether the securities are in-the-money or the number of shares deemed to be repurchased under the treasury stock method in accordance with IFRS. As such it should not be viewed as an alternative to the diluted weighted average number of common shares outstanding determined in accordance with IFRS for purposes of EPS, as presented in the table above.

COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual commitments as of December 31, 2021:

(CA$ thousands)	2022	2023	2024	2025	2026	Thereafter
Gas transportation (1)	15,985	14,483	12,864	12,723	10,126	15,502
Liquids transportation (2)	40,446	42,200	22,562	11,897	6,064	6,294
NGLs fractionation (3)	1,004	1,324	1,425	1,421	1,421	4,618
Processing fees (4)	10,769	5,302	146	81	-	-
Capital commitments (5)	25,631	42,719	42,719	-	-	-
Total at December 31, 2021	**93,835**	**106,028**	**79,716**	**26,122**	**17,611**	**26,414**
Less: commitments disposed subsequent to year-end (2)	(16,108)	(21,457)	(20,620)	(9,960)	(4,127)	-
Commitments remaining	**77,727**	**84,571**	**59,096**	**16,162**	**13,484**	**26,414**

(1) Spartan has firm transportation commitments on natural gas pipelines in Alberta until October 2029.

(2) Liquids transportation includes $43.8 million (US$34.4 million) related to the Spearhead pipeline commitment and $31.9 million (US$25.1 million) related to the Flanagan South pipeline. Also includes $53.8 million related to upstream oil and natural gas liquids ("NGLs") transportation contracts. The Spearhead and Flanagan South transportation agreements have been assigned to a third party effective April 1, 2022 (see also, "Subsequent Events").

(3) NGLs fractionation includes two agreements with two counterparties. The first agreement is for a fractionation fee on the volume of C3+ mix purchased until March 2023. The second agreement is for the delivery of firm volume of C3+ to a fractionation facility until March 2030.

(4) Processing fees includes two agreements with two counterparties. The first agreement is a gas handling agreement at the Wapiti plant for transportation, compression and processing of natural gas until June 2023. The second agreement provides Spartan firm capacity for the gathering and processing of natural gas at the Fourth Creek gas gathering system and Fourth Creek plant until October 2025.

(5) Pursuant to an agreement with an industry partner, Spartan has committed to drill and tie-in a minimum of 16 wells over a three-year period, with a minimum of 6 wells required to be drilled by the end of 2022, and an additional 5 wells drilled by the end of 2023 and 2024, respectively. The estimated capital commitment is approximately $136.7 million in aggregate over three years. As of December 31, 2021, Spartan had drilled three qualifying wells and expects to fully satisfy its commitment for the remaining 13 wells (approximately $111.1 million based on an estimated average well cost of ~$8.5 million) with its routine capital expenditure budget for 2022. In the event Spartan does not satisfy its minimum drilling commitments, the Company would be subject to a penalty of $2.1 million per well.

In connection with the Flow-Through Private Placement completed on March 18, 2021, the Company has fully satisfied its obligations to incur and renounce Qualifying Expenditures in the aggregate amount of $54.0 million. In accordance with the subscription agreements, Spartan renounced the Qualifying Expenditures to subscribers as follows: $6.5 million effective October 31, 2021; and $47.5 million effective December 31, 2021.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes with partners or other stakeholders. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined to have an adverse affect on the Company's future operations or financial condition. As of the date of this MD&A, the Company has no material litigation or claims outstanding that have not already been reflected in the Annual Financial Statements as at December 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the commitments and contingencies disclosed herein, the Company does not believe it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future impact of the Company's financial condition, results of operations, liquidity or capital expenditures.

RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

During the previous year ended December 31, 2020, Spartan had one wholly owned subsidiary, Winslow Resources Inc. Winslow was vertically amalgamated effective January 1, 2021, to form a single corporate entity under the name of Spartan Delta Corp.

As at December 31, 2021, Spartan had three wholly owned subsidiaries. Balances and transactions between Spartan and these entities have been eliminated on consolidation. On January 1, 2022, two subsidiaries were vertically amalgamated and Spartan has one wholly owned subsidiary as of the date hereof, Inception General Partner Inc.

b) Related party transactions

During the year ended December 31, 2021, the Company incurred $2.9 million, respectively of legal fees to a law firm where the corporate secretary of the Company is a partner (2020 – $2.1 million). The fees are primarily transaction costs related to the acquisitions and share issue costs incurred in respect of the equity financings completed during 2021. Approximately $0.1 million of legal fees are included in the balance of accounts payable and accrued liabilities as at December 31, 2021.

Canoe Acquisition

On May 21, 2021, the Company acquired Canoe Point Energy Ltd., a private company holding undeveloped land in Spartan's Montney focus area of northwest Alberta (see "Capital Expenditures – Acquisitions"). Certain officers and directors of Spartan, including Richard McHardy (Executive Chairman), Donald Archibald (Director), Reginald Greenslade (Director), Fotis Kalantzis (President and CEO), Thanos Natras (Vice President, Exploration) and Brendan Paton (Vice President, Engineering) were shareholders of Canoe. The insiders of Spartan had ownership and control over 48% of the Canoe Shares and all other parties to the Canoe Acquisition are arm's length to the Company. The Canoe Acquisition constitutes a "related party transaction" and was recorded at the exchange amount.

Canoe was formed prior to the appointment of the new management team and new board of Spartan as part of the recapitalization transaction on December 19, 2019. As a result of Spartan's recent entry into the Montney, the decision was made to offer the Canoe assets to Spartan. The total purchase price of $1.5 million (inclusive of net debt) represents the cost of the investment in Canoe and the fair value is supported by an independent valuation of the Canoe lands. The Canoe Acquisition was approved by those directors of the Company who are independent with respect to the acquisition.

c) Conversion of promissory note due to related party

The holder of the Convertible Note, ARETI Energy S.A., is a related party under IAS 24 Related Party Disclosures. ARETI became a related party upon closing of the Inception Acquisition, however Spartan and ARETI were arm's length parties prior thereto.

On September 29, 2021, the Convertible Note with a principal amount of $50.0 million was converted into 5,882,353 common shares of Spartan pursuant to an amending agreement between Spartan and ARETI, whereby the terms of the Convertible Note were amended allowing for early conversion at a conversion price of $8.50 per common share. Prior to the amendment, the Convertible Note was convertible on or after March 18, 2023 and the minimum conversion price was $7.67 per common share. The Convertible Note was cancelled upon conversion and had a carrying value of approximately $30.9 million immediately prior to conversion.

As at December 31, 2021, ARETI owns and controls (through direct ownership or its affiliates) approximately 19.6% of the Company's total common shares outstanding. As part of the pre-acquisition agreement between Inception and Spartan, the Company entered into a nomination rights agreement providing ARETI with the right to nominate one or two directors to Spartan's board of directors, subject to acquiring and maintaining certain minimum shareholding requirements. Steve Lowden and Elliot Weissbluth were appointed to Spartan's board of directors concurrent with closing of the Inception Acquisition on March 18, 2021.

d) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of a company. The Company defines its key management personnel as its officers, board of directors and corporate secretary. The following table summarizes compensation paid or payable to key management personnel during the years ended December 31, 2021 and 2020.

	Year ended December 31	
(*CA$ thousands)*	**2021**	2020
Salaries and benefits	**5,467**	3,081
Directors fees	**138**	75
Share based compensation (1)(2)	**4,560**	983
Total key management compensation	**10,165**	4,139

(1) During 2021, key management personnel were granted 1,180,800 share awards and 984,100 stock options with an exercise price of $4.08 per share.

(2) During 2020, key management personnel were granted 1,935,700 stock options with an exercise price of $3.00 per share.

SUBSEQUENT EVENTS

Disposition of Spearhead and Flanagan South pipeline commitments

In January 2022, Spartan entered into an agreement with a third party to assign its firm transportation capacity and related obligations on the Spearhead and Flanagan South pipelines effective April 1, 2022. Pursuant to the assignment agreement, Spartan will receive cash proceeds of US$0.5 million and has reduced the Company's aggregate contractual commitments by $72.3 million (see "Commitments and Contingencies"). The contracts were assumed through the Velvet Acquisition and were not integral to Spartan's core business operations.

Commodity price risk management contracts

In February 2022, Spartan entered into derivative financial contracts to fix the NYMEX Henry Hub natural gas price at US$4.54/mmbtu on notional volumes of 30,000 mmbtu/d from April 1 to October 31, 2022. The Company also contracted to fix the U.S. dollar exchange rate at $1.27 on a notional US$3 million per month. Together, these contracts effectively convert the Company's unmatched AECO basis positions outstanding as of December 31, 2021, into AECO fixed price swaps at a Canadian dollar equivalent price of approximately $4.10 per gigajoule on 30,000 mmbtu/d (approximately 31,650 GJ/d) through summer 2022.

Additionally, the Company entered into financial collars on NYMEX Henry Hub natural gas financial contract collars, with a floor price of US$3.75/mmbtu and a ceiling of US$8.25/mmbtu, on notional volumes of 30,000 mmbtu/d from November 1, 2022 to March 31, 2023.

See also, "Results of Operations – Commodity Price Risk Management".

SUMMARY OF QUARTERLY INFORMATION

The table below summarizes selected financial and operational information over the past eight quarters. Refer to "Results of Operations" section of this MD&A and the Company's previously issued MD&A for detailed discussions of quarter-to-quarter variances in these key performance measures.

(CA$ thousands, except as noted)	**Q4 2021**	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	**267,005**	134,056	88,783	62,356	41,975	37,046	11,401	417
Net income (loss) and comprehensive income (loss)	**128,455**	126,937	19,664	59,164	12,358	(7,281)	47,406	(4,820)
$ per share, basic	**0.84**	1.01	0.17	0.87	0.21	(0.13)	1.29	(0.18)
$ per share, diluted	**0.76**	0.87	0.15	0.73	0.18	(0.13)	1.01	(0.18)
Funds from Operations (1)	**139,466**	68,813	55,351	36,329	18,239	15,774	1,088	(1,507)
Capital Expenditures (1)(2)	**115,935**	437,565	19,708	39,286	14,346	1,178	109,969	376
Total assets	**1,742,414**	1,684,301	729,966	679,613	331,430	331,730	339,064	30,938
Working capital deficit (surplus)	**133,416**	152,595	(101,100)	(75,846)	21,208	19,577	2,170	(21,719)
Long-term liabilities	**612,191**	655,137	210,838	194,379	147,992	166,457	189,206	7,542
Shareholders' equity	**886,649**	756,211	437,730	414,230	137,540	124,413	130,995	20,818
Average daily production (BOE/d)	**72,428**	46,282	39,638	31,914	26,010	26,282	8,906	251
% Oil and NGLs	**38%**	32%	29%	28%	31%	31%	30%	17%
Average realized price ($ per BOE)	**44.48**	34.31	26.71	24.12	18.89	16.19	14.31	16.34
Operating Netbacks (1)								
Before hedging ($ per BOE) (1)	**30.00**	22.16	17.43	15.31	10.49	7.88	5.73	(4.33)
After hedging ($ per BOE) (1)	**23.36**	18.79	16.89	14.28	9.59	8.32	5.90	(4.33)

(1) "Funds from Operations", "Capital Expenditures" and "Operating Netback" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures and Ratios".
(2) Excludes non-cash consideration for acquisitions. Refer to "Cash Used in Investing Activities and Capital Expenditures" section of this MD&A for additional information.

Over the past two years, the Company had an acquisitive growth strategy that materially advanced Spartan's operations, financial position and results. In the second quarter of 2020, the BXE Asset Acquisition established Spartan's position in the Deep Basin primarily targeting liquids-rich natural gas in the Spirit River formation as well as light oil in the Cardium. Spartan completed several acquisitions in 2021 which added a second core area in the Montney, the most significant being the corporate acquisitions of Inception on March 18, 2021 and Velvet on August 31, 2021.

The acquisitions drove the majority of the increase in production volumes and revenues in combination with the recovery of commodity prices, compared to the historical low average prices during the height of the COVID-19 pandemic in the first and second quarters of 2020. Commodity prices began to recover in the fourth quarter of 2020 and subsequently exceeded pre-pandemic levels during 2021. The increase in Spartan's average realized prices also reflects the higher crude oil weighting of its production through integration and continued development of the Montney assets acquired through the Velvet Acquisition. The Company's focus shifted to organic growth though drilling in the fourth quarter of 2021, further contributing to the increase in production.

The increase in Operating Netbacks reflects the stronger realized prices, partly offset by higher per unit operating and transportation expenses driven by the increased oil weighting of the Company's asset base. Spartan's net income includes a gain of $53.0 million on the BXE Asset Acquisition in the second quarter of 2020, $35.7 million on the Inception Acquisition in the first quarter of 2021 and $89.0 million on the Velvet Acquisition in the third quarter of 2021.

The acquisitions were financed through of combination of cash provided by operating activities, equity offerings and long-term debt. In the second quarter of 2020, the Company completed a $64.0 million private placement at a subscription price of $2.00 per share. In March 2021, Spartan raised $124.0 million of gross proceeds through a $79.0

million non-brokered offering and a $45.0 million prospectus offering at an average issue price of $4.35 per common share. In August 2021, the Company raised $150.0 million of gross proceeds through a prospectus offering at $5.05 per common share. Additionally, the Company secured a $150.0 million five-year Term Facility and increased the borrowing base available under the Credit Facility to $450.0 million in August 2021. Details of the forgoing are more particularly described under the heading “Capital Resources and Liquidity”.

SELECTED ANNUAL INFORMATION

The following table summarizes key annual financial and operating information over the three most recently completed financial years.

(CA$ thousands, except as noted)	**2021**	2020	2019
Revenue	**552,200**	90,839	1,649
Net income (loss) and comprehensive income (loss)	**334,220**	47,663	(1,998)
$ per share, basic	**2.89**	1.06	(1.00)
$ per share, diluted	**2.50**	0.86	(1.00)
Funds from Operations (1)	**297,844**	33,594	(1,901)
Capital Expenditures (1)(2)	**612,494**	125,869	(231)
Total assets	**1,742,414**	331,430	34,245
Working capital deficit (surplus)	**133,416**	21,208	(23,538)
Long-term liabilities	**612,191**	147,992	7,213
Shareholders’ equity	**886,649**	137,540	25,640
Average daily production (BOE/d)	**47,674**	15,421	225
% Oil and NGLs	**33%**	31%	18%
Average realized price ($ per BOE)	**34.95**	17.07	18.18
Operating Netback, before hedging ($ per BOE) (1)	**23.05**	8.63	(4.48)
Operating Netback, after hedging ($ per BOE) (1)	**19.40**	8.46	(4.48)

(1) “Funds from Operations", “Capital Expenditures” and "Operating Netback" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures and Ratios".
(2) Excludes non-cash consideration for acquisitions. Refer to “Cash Used in Investing Activities and Capital Expenditures” section of this MD&A for additional information.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the Annual Financial Statements as at December 31, 2021.

The International Accounting Standards Board has issued a number of new accounting standards, amendments to accounting standards, and interpretations that are effective for periods beginning on or after January 1, 2021. None of the accounting pronouncements are expected to have a material impact upon initial adoption. Spartan will continue to evaluate the impact of the pronouncements which will be adopted on their respective effective dates.

In May 2021, the IASB amended IAS 12 Income Taxes ("**IAS 12**") to address the accounting for deferred taxes for certain types of transactions, such as those involving leases and decommissioning liabilities. The IASB made these changes through an IAS 12 amendment, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which is applicable to periods beginning on or after January 1, 2023. This amendment is not expected to have a material impact on the Company's Consolidated Financial Statements.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies 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. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. The significant judgements, estimates and assumptions made by management are described below and in note 2 of the 2021 Annual Financial Statements.

Impact of COVID-19

The outbreak of the novel coronavirus ("**COVID-19**") was declared a global pandemic by the World Health Organization in March 2020 and continues to impact global economic conditions. Global financial markets, and commodity prices, in particular, have experienced significant volatility and uncertainty. Crude oil and natural gas prices have recovered from the historic lows observed in the first half of 2020 and exceeded pre-pandemic levels by the end of 2021. While the current outlook for commodity prices is strong, long-term price support from future demand remains uncertain. The Company continues to respond to market fundamentals and is carefully monitoring emerging developments. Spartan is committed to maintaining its strong statement of financial position and financial liquidity. The Company is well positioned to withstand challenges and is able to take advantage of opportunities presented by the current business environment as highlighted by the acquisitions that have been completed since the onset of the pandemic.

The Canadian federal and provincial governments have implemented various measures to assist individuals and businesses through the COVID-19 pandemic. Spartan received government assistance under the Alberta Site Rehabilitation Program of $2.3 million in 2021 and $0.2 million in 2020. In 2020, the Company collected a subsidy of approximately $1.0 million under the Canada Emergency Wage Subsidy program, of which, $0.7 million related to head office employees is presented as a recovery of general and administrative expenses and $0.3 million related to field employees is presented as a recovery of operating expenses.

Business Combinations

The application of the Company's accounting policy for business combinations requires management to make certain judgments in applying the optional concentration test under IFRS 3 Business Combinations ("**IFRS 3**"), to determine whether the acquired assets meet the definition of a business combination or an asset acquisition. Where an acquisition involves a group of assets and liabilities, and does not constitute a business, the acquirer must identify and recognize the individual assets acquired and liabilities assumed. The cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase. The January 2021 Acquisition, Canoe Acquisition, the other acquisitions of undeveloped land did not meet the definition of a business combination and have been accounted for under IFRS 3 as asset acquisitions.

The assumptions used by management to estimate the fair value of the assets acquired and liabilities assumed on the acquisitions had a material impact on the resulting gains recognized on the Inception Acquisition, Velvet Acquisition and Ferrier Acquisition during 2021. Details regarding the specific judgements and estimates applied and a sensitivity analysis are provided under the respective acquisition headings in this MD&A and are described more generally below.

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require the most judgement and include estimates of reserves acquired, production costs, forecast benchmark commodity prices, foreign exchange rates, and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Initial recognition of the fair value of deferred tax liabilities or assessment of probability to recognize deferred tax assets requires judgment. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (or gain on acquisition resulting from a bargain purchase) in the acquisition equation. Future net income (loss) will be affected as the fair value on initial recognition impacts future depletion and depreciation expenses, as well as the risk of potential impairment in future periods.

Crude oil and natural gas reserves

The process of determining reserves is complex. Significant judgements are based on available geological, geophysical, engineering, and economic data. These judgements are based on estimates and assumptions that may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates are based on production forecasts, future prices and the timing and amount of future expenditures. As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation can be impacted by subjective decisions, new geological or production information and a changing environment. In addition, revisions to reserve estimates can arise from changes in forecast oil and gas prices and reservoir performance. Such revisions can be either positive or negative.

Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion. Reserves are used in measuring the FVLCD of PP&E for impairment calculations. Reserves also impact the Company's assessment of the commercial viability and technical feasibility of an exploration project and the decision to transfer exploration and evaluation assets to PP&E.

Spartan's reserves have been evaluated by independent qualified reserves evaluators as at December 31, 2021 and December 31, 2020 in accordance with the Canadian Oil and Gas Evaluation Handbook.

Depletion of oil and gas assets

The Company calculates a depletion factor based on total production as a percentage of proved plus probable reserves. The depletion factor is applied to the total depletable base determined as the net book value of the assets and the total estimated FDC expenditures for each depletion unit. Estimates for reserves and FDCs can have a significant impact on net earnings, as they are key components in the depletion calculation.

Impairment of PP&E

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as its fair value less costs of disposal. The key estimates in management's determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes. In addition, the evolving global demand to transition from carbon-based sources to alternative energy sources may also impact the assumptions used in determination of recoverable amounts, however, the timing of this impact is highly uncertain. Refer to "Results of Operations – Depletion, Depreciation and Impairment" section of this MD&A for a discussion of management's assessment for the years ended December 31, 2021 and 2020.

Exploration and evaluation assets

The accounting for E&E assets requires management to make judgements as to whether E&E activities have discovered a sufficient amount of economically recoverable reserves, which requires the quantity and realizable value of such crude oil and natural gas products to be estimated.

E&E assets remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the crude oil and natural gas products is technically feasible and commercially viable. E&E assets are subject to ongoing management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. In making this assessment, management considers changes to project economics, expected capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions.

The carrying value of Spartan's E&E assets is assessed for overall impairment at the operating segment level and on a specific identification basis prior to transferring E&E assets to PP&E.

Determination of cash generating units

The determination of CGUs requires judgement in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The Company has reviewed and realigned its CGUs taking into consideration the factors outlined above. As at December 31, 2021, Spartan has two CGUs, namely: "Deep Basin", comprised primarily of the Company's assets located in west central Alberta and "Montney", comprised primarily of the Company's assets in northwest Alberta as well as minor properties located in northeastern British Columbia.

Decommissioning obligations

Spartan estimates abandonment and reclamation costs based on a combination of publicly available industry information and internal site-specific information. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, market conditions, discovery and analysis of site conditions and emergence of new restoration techniques. The expected timing of abandonment and reclamation is also subject to change and the impacts inflated future cost estimates and the estimated carrying amount (present value) of decommissioning obligations. Spartan completed a fulsome review of its decommissioning cost estimates by area and the estimated period over which decommissioning is expected to be completed. Based on this review, the carrying amount of decommissioning obligations increased as at December 31, 2021, primarily as a result of increased cost estimates compared to previous estimates. Details of the foregoing and a discussion of other key assumptions are provided under the heading of "Decommissioning Obligations" in this MD&A.

Fair value of financial instruments

The estimated fair value of derivative financial instruments is reliant upon several factors and may include forward curves for commodity prices, foreign exchange rates, or other variables depending on the nature of the underlying contract. A change in any one of these variables could materially impact the valuation of the instrument on the balance sheet date. Furthermore, as these instruments are “marked-to-market” at the end of each reporting period, unrealized gain or losses can result in volatility of net income or loss.

Changes in the fair value of Spartan’s derivative financial contracts had a significant impact on the Company’s earnings during the third and fourth quarters 2021 due to the change in forecast commodity prices subsequent to the Velvet Acquisition, which brought on a $94.2 million derivative financial instrument liability. Net income for the fourth quarter of 2021 includes an unrealized gain of $34.9 million on derivative financial instruments, compared to an unrealized loss of $24.6 million in the third quarter of 2021. For the years ended December 31, 2021, the unrealized loss was $0.4 million (2020 - $3.1 million). As at December 31, 2021, Spartan has a net derivative financial instrument liability of $64.3 million. A sensitivity of the potential change in fair value of Spartan’s outstanding derivative financial instruments is provided under the heading of “Commodity Price Risk” in this MD&A.

Deferred income taxes

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. Consequently, deferred income taxes are subject to measurement uncertainty. Deferred tax liabilities are recognized when it is considered probable that temporary differences will be payable to tax authorities in future periods. Deferred tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized.

Judgement is required to determine an accounting policy to recognize deferred income tax assets that were not previously recognized. During 2021, Spartan applied judgement in respect of an unrecognized deferred tax asset of $41.8 million on initial recognition of the January 2021 Acquisition which was accounted for as an asset acquisition under IFRS 3. Spartan’s policy is to recognize the previously unrecognized NCLs in proportion to the estimated amount of taxable income generated each period, or when it is reasonably certain that the NCLs will be utilized. Based on the Company’s expectation of future taxable profits, the full amount of the tax benefit was subsequently recognized in net income during the year resulting in a reduction of deferred income tax expense by $12.9 million and $41.8 million for the three months and year ended December 31, 2021, respectively.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

Effective September 1, 2021 Spartan graduated to the TSX and concurrently delisted its shares from the TSX Venture Exchange. As of December 31, 2021, the Company's Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) conducted an internal evaluation of the effectiveness of Spartan’s disclosure controls and procedures ("**DC&P**"), as defined by National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings (“**NI 52-109**”). Based on that evaluation, the Company’s CEO and CFO concluded that the DC&P are effective to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the periods in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings (as those terms are defined in NI 52-109) or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR"), as defined by NI 52-109, are designed to provide reasonable assurance that the Company’s assets are safeguarded, transactions are appropriately authorized, and facilitate the preparation of relevant, reliable, and timely information for the preparation of financial statements for external purposes in accordance with IFRS. The Company’s CEO and CFO have assessed the effectiveness of Spartan’s ICFR based on the framework set forth in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control-Integrated Framework. Based on that evaluation, the CEO and CFO concluded that Spartan’s ICFR was effective as of December 31, 2021.

There were no changes in the Company's DC&P or ICFR during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's DC&P or ICFR. It should be noted that a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

RISKS AND UNCERTAINTIES

The business of exploring for, developing and producing crude oil and natural gas reserves is inherently risky. The Company is subject to both risks that directly affect Spartan's business and operations, as well as indirect risks that impact third parties or industry generally. The following information is a summary only of certain risk factors relating to the Company and should be read in conjunction with the Company's 2021 AIF which can be found at www.sedar.com. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this MD&A and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

General Industry Risks

Spartan's operations are concentrated in the Western Canadian Sedimentary Basin where activity is highly competitive. The Company is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include, but are not limited to, finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, financial and liquidity risks, and environmental and safety risks.

In order to reduce exploration risk, Spartan employs or contracts highly qualified and motivated professionals who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. Spartan has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulations. Such estimates may vary from actual results.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Spartan strives to operate the majority of its prospects, thereby maintaining operational control. When the Company does not operate, it relies on its partners in jointly owned properties to maintain operational control.

Geopolitical Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Spartan is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including 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 change in prices and therefore result in a change of Spartan's revenue.

The level of 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 concern 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.

Beginning in November 2021, Russia began to amass troops along the Ukrainian border, heightening military tensions in Eastern Europe. In February 2022, Russia sent troops into pro-Russian separatist regions in Ukraine. Ongoing military tensions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the tension between these nations remains uncertain.

Market Risks

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates and foreign exchange rates, will affect the Company's cash flows, net income, or fair value of financial instruments. Spartan's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns.

The Company utilizes both derivative financial instruments and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the Company's established risk management policies that permit management to enter into derivative financial contracts, provided that: the contracts are not entered into for speculative purposes; the aggregate quantity hedged, at the time of entering into the contract, does not exceed 75% of future forecasted average daily production; and the contracted term does not exceed 36 months.

a) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar.

From time to time, Spartan may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline. Similarly, the Company may enter into agreements to fix the differential or discount pricing gap which exists, and may fluctuate between different grades of crude oil, NGL and natural gas and the various market prices received for such products. However, if commodity prices or differentials increase beyond the levels set in such agreements, Spartan may be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk and the Company may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. In addition, if the Company enters into hedging arrangements it may be exposed to the risk of financial loss in certain circumstances, including instances in which: production falls short of the hedged volumes or prices fall significantly lower than projected; there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement; the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; and/or a sudden unexpected material event impacts crude oil and natural gas prices.

Details of outstanding commodity risk management contracts are provided under the heading "Commodity Price Risk Management" in this MD&A and in note 4 to the Annual Financial Statements. The fair values of these contracts are highly sensitive to changes in the natural gas reference prices. The table below illustrates the stand-alone impact of changes in specified benchmark prices and differentials on net income before income taxes, holding all other variables constant, of risk management contracts in place as at December 31, 2021:

(CA$ thousands)		Change in price/ differential	Positive movement	Negative movement
WTI	US$/bbl	+/- $ 5.00	(4,930)	4,930
NYMEX Henry Hub ("HH")	US$/mmbtu	+/- $ 0.25	(6,791)	6,791
NYMEX HH-AECO 7A Basis[1]	US$/mmbtu	+/- $ 0.10	(7,343)	7,343
AECO 7A	C$/GJ	+/- $ 0.25	(509)	509
CA$/US$ exchange rate		+/- $ 0.05	369	(369)

(1) A positive or negative movement means that the differential is narrowing or widening, respectively.

b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on long-term debt which bears floating rates of interest. Under the Credit Facility, interest rates fluctuate based on the bank prime rate plus an applicable margin, which varies based on the Company's net debt to cash flow ratio each quarter. Under the Term Facility interest fluctuates based on the bank prime rate, however the spread is fixed at 5.25%. Based on the balance of long-term debt outstanding at December 31, 2021, an increase (decrease) in the market rate of interest by 50 basis points would increase (decrease) annualized interest expense by approximately $1.9 million.

The global economic recovery and inflationary environment is widely expected to result in rising interest rates. The ongoing invasion of Ukraine is another factor that could influence inflation or other parts of the Canadian and global economy. On March 2, 2022, the Bank of Canada raised its benchmark interest rate by 25 basis points for the first time since 2018. Further interest rate increases are anticipated over the next twelve months.

The Company may use derivative financial instruments to manage interest rate risk, however there were no such contracts in place as at or during the year ended December 31, 2021.

c) Currency Risk

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's crude oil and natural gas sales are conducted in Canada and majority of Spartan's revenue is received in Canadian dollars. Following the Velvet Acquisition, a portion of the Company's crude oil is now marketed in U.S. dollars, however U.S. dollar revenues represent less than 10% of Spartan's monthly sales. Spartan is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. In addition, a significant portion of the Company's commodity price risk management contracts settle in U.S. dollars.

The CA$/US$ exchange rate is negatively correlated to the movement in WTI crude oil prices. Global oil markets recovered dramatically in 2021 resulting in a stronger Canadian dollar and decrease in the CA$/US$ exchange rate which averaged 1.253 CA$/US$ during 2021 compared to 1.341 CA$/US$ on average during 2020. The exchange rate averaged 1.260 CA$/US$ during the fourth quarter and closed at 1.266 CA$/US$ on December 31, 2021. Although a stronger Canadian dollar has a negative impact on the Canadian dollar equivalent price Spartan receives, the impact on the Company's revenue is more than offset by the benefit of higher benchmark oil prices.

Spartan may enter into foreign exchange risk management contracts from time-to-time to manage currency risk on the Company's U.S. dollar denominated cash flows. As at December 31, 2021, Spartan had fixed rate foreign exchange forward swaps in place to mitigate current risk between the timing of collection of U.S. dollar revenues in December to payment of U.S. dollar hedge settlements in January 2022. The fair value of the foreign exchange contracts resulted in a current derivative financial instrument liability of $0.1 million at December 31, 2021.

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations. A contractual maturity analysis of the Company's financial liabilities outstanding as at December 31, 2021, which include accounts payable, derivative financial instrument liabilities, long-term debt and lease liabilities, is provided in the "Capital Resources and Liquidity" section of this MD&A. Spartan's existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Spartan is well positioned to execute on its short and longer term growth strategy.

The Company is early in its life cycle and its growth strategy is capital intensive. From time to time, Spartan's cash flow from operating activities may not be sufficient to fund its growth objectives. As such, Spartan will be dependent on obtaining regular financings in order to continue its exploration, development and acquisition plans. Although the

Company has been successful in establishing its credit facilities and accessing equity capital markets to date, there is no guarantee of obtaining future financings.

Credit Facility Arrangements

The amount authorized under the Credit Facility is dependent on the borrowing base determined by the lenders to Spartan under the Credit Facility. The Company is required to comply with covenants under the Credit Facility, which from time to time, either affect the availability, or price, of additional funding and in the event that the Company does not complete therewith, the Company's access to capital could be restricted or repayment could be required. The failure of the Company to comply with such covenants, which may be affected by events beyond the Company's control, could result in an event of default under the Credit Facility which could result in the Company being required to repay amounts owing thereunder. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing, the lenders to Spartan under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default and cross-acceleration provisions. In addition, the Credit Facility may, from time to time, impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurring of additional indebtedness, provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

The Company's borrowing base is determined and re-determined by the lenders to Spartan under the Credit Facility based on the Company's reserves, commodity prices, applicable discount rate and other factors as determined by the Company's lenders. A material decline in commodity prices could reduce the Company's borrowing base, therefore reducing the funds available to the Company under the Credit Facility which could result in a portion, or all, of the Company's bank indebtedness needing to be repaid.

Refer to additional information under the heading “Capital Resources and Liquidity” of this MD&A.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company’s financial assets include cash and cash equivalents, accounts receivable, deposits and derivative financial instrument assets. Cash and cash equivalents are held on deposit with a Canadian chartered bank. The Company’s credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners. The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company’s production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered “past due” and relate primarily to receivables from the Company’s joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. As at December 31, 2021, Spartan’s expected credit loss provision is $1.1 million, of which $0.7 million relates to certain past-due accounts receivable balances inherited through corporate acquisitions during 2021.

Income Taxes

Spartan files all required income tax returns and believes that it is in full compliance with the provisions of the *Tax Act* and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of expenditures, continuity of non-capital losses or otherwise, such reassessment may have an impact on current and future taxes payable. Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that affects the Company. Furthermore, tax authorities having jurisdiction over Spartan may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Inflation and Cost Management

The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Spartan's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on the Company's financial performance and funds from operations.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on its financial performance and funds from operations.

Reliance on Operators, Management and Key Personnel

The operations and management of the Company require the recruitment and retention of a skilled workforce, including engineers, technical personnel and other professionals. The loss of key members of such workforce, or a substantial portion of the workforce as a whole, could result in the failure to implement the Company's business plans which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Spartan's success will be, in part, dependent on the performance of its key managers and consultants. Failure to retain the managers and consultants, or to attract or retain additional key personnel, with the necessary skills and experience could have a materially adverse impact upon Spartan's growth and profitability. Spartan does not carry key person insurance. The contributions of the existing management team to the immediate and near-term operations of the Company are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company. In addition, Spartan may not be the operator of certain oil and natural gas properties in which it acquires an interest. To the extent Spartan is not the operator of its oil and natural gas properties, Spartan will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

Reputational Risk

The Company's business, financial condition, operations or prospects may be negatively impacted as a result of any negative public opinion toward Spartan or its affiliates as a result of any negative sentiment toward or in respect of the reputation with stakeholders, special interest groups, political leadership, the media or other entities. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which the Company operates as well as their opposition to certain crude oil and natural gas projects. Potential impacts of negative public opinion or reputational issues may include delays or interruptions in operations, legal or regulatory actions or challenges, blockades, increased regulatory oversight, reduced support for, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences and increased costs and/or cost overruns.

Any environmental damage, loss of life, injury or damage to property caused by Spartan's operations could damage the reputation of the Company in active operational areas. The Company's reputation could be affected by actions and activities of other corporations operating in the crude oil and natural gas industry, over which the Company has no control. If the Company, either directly or indirectly, develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Opposition from special interest groups opposed to oil and natural gas development and the possibility of climate related litigation against fossil fuel companies may indirectly harm the Company's reputation. In addition, environmental damage, loss of life, injury or damage to property caused indirectly by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the common shares.

Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, regulatory and legal risks, among others, must all be managed effectively to safeguard Company's reputation. Damage to the Company's reputation could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Company's securities.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry. Spartan will actively compete for capital, skilled personnel, access to rigs and other equipment, access to processing facilities and pipeline and refining capacity and in all other aspects of its operations with a substantial number of other organizations. The A&D market has also become increasingly competitive in recent months as more energy companies, including Spartan, seek to consolidate operations to increase in scale and relevance to investors.

The Company competes with other exploration and production companies, any of whom may have more financial resources, staff or political influence than the Company. Spartan's ability to increase its production in the future will depend not only on its ability to develop the Company's properties, but also on its ability to select other suitable assets for further exploration and development.

Failure to Realize Anticipated Benefits of Acquisitions

Spartan has an acquisitive growth strategy. Acquisitions of oil and natural gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Spartan. All such assessments involve a measure of geologic, engineering, facility operations, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Spartan's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, the Company may periodically consider disposing of non-core assets so that Spartan can focus its efforts and resources more efficiently.

Management of Growth

Spartan may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Spartan to manage future growth and integration of additional lands, assets and acquisitions effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Spartan to deal with this integration growth could have a material adverse impact on its business, financial condition, results of operations and prospects.

Indigenous Claims

Indigenous peoples have claimed Indigenous rights and title in portions of Western Canada. Claims and protests of indigenous peoples may disrupt or delay third-party operations, new development or new project approvals on the Company's properties. Spartan is not aware that any material claims have been made in respect of Spartan's assets; however, if a claim arose and was successful this could have an adverse effect on Spartan and its operations. In addition, the process of addressing such claims, regardless of the outcome, is expensive and time consuming and could result in delays which could have a negative effect on the Company's business, financial condition, results of operations and prospects, which negative effect could prove to be material over time.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "Industry Conditions – Climate Change Regulation". In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system, which was upheld by the Supreme Court of Canada, currently applies in provinces and territories without their own system that meets federal stringency standards. Provinces with their own system are subject to continued compliance with the federal system. There is no guarantee that a province with a system that currently applies will meet, or continue to meet, federal stringency standards. The taxes placed on carbon emissions may have the effect of decreasing the demand for crude oil and natural gas products and at the same time, increasing the operating expenses of crude oil and natural gas companies, each of which may have a material adverse effect on the Company's revenue. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Environmental Risks

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

The oil and gas industry is subject to environmental regulation under a variety of Canadian federal, provincial, territorial and municipal laws and regulations, all of which are subject to governmental review and revision from time to time. The regulations in Canada are some of the most stringent and progressive in the world. Such regulations provide for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain crude oil and natural gas industry operations, including the abandonment and reclamation of well, facility and pipeline sites. Compliance with such regulations can require significant expenditures by the businesses operating and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties. Further to these specific, known requirements, future changes to environmental legislation, including legislation for air pollution and greenhouse gas emissions, may impose further requirements on operators and other companies in the crude oil and natural gas industry. The Company works with applicable federal, provincial and municipal regulators to ensure compliance.

Climate Change

Climate change is an important issue with heightened levels of attention by governments, regulators and investors on effective reporting in this area. The business risks posed by climate change will impact most companies, directly or indirectly. Physical risks such as more extreme weather events may impact the Company’s assets and operations, and may have broader impacts on supply chains and markets including commodity prices. Transition risks such as climate policy, carbon taxes, or technological shifts may impact Spartan's revenues, costs, profitability, asset values and liabilities, and may have implications for the future viability of the business model.

The Company's production facilities and other operations and activities emit greenhouse gasses ("GHG") and require the Company to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate its effects. The direct or indirect costs of these regulations may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system currently applies in provinces and territories without their own system that meets federal standards. The federal regime is subject to a number of court challenges. The taxes placed on carbon emissions may have the effect of decreasing the demand for crude oil and natural gas products and at the same time, increasing the operating expenses of crude oil and natural gas companies, each of which may have a material adverse effect on the Company's revenue. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Evolving Corporate Governance, Sustainability and Reporting Framework

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Company's securities. Spartan is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Further, the Company's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Impact of the COVID-19 Pandemic and Risks Related Thereto

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on our business, including changes to the way we and our counterparties operate, and on our financial results and condition. The spread of the COVID-19 pandemic, given its severity and scale, continues to adversely affect our business to varying degrees and many of our customers and business partners and also continues to pose risks to the global economy and the crude oil and natural gas industry more broadly. At the onset of the COVID-19 pandemic, governments and regulatory bodies in affected areas imposed a number of measures designed to contain the COVID-19 pandemic, including widespread business closures, social distancing protocols, travel restrictions, quarantines, curfews and restrictions on gatherings and events. While a number of containment measures have been and continue to be gradually eased or lifted across some regions, additional safety precautions and operating protocols aimed at containing the spread of COVID-19 have been and continue to be instituted in line with guidance of public health authorities. The COVID-19 pandemic has led to the imposition of containment measures to varying degrees in many regions within Canada and globally. While restrictions are beginning to ease, these containment measures continue to impact global economic activity, including the ability to move towards recovery of the global economy and such measures also contribute to the decreased demand for hydrocarbons, increased market volatility and continued changes to the macroeconomic environment. The prolonged effects of the disruption have had and continue to have adverse impacts on our business strategies and initiatives, resulting in ongoing effects to our financial results, including the increase of counterparty, market and operational risks.

Spartan is closely monitoring the potential and realized effects and impacts of the COVID-19 pandemic, which continues to be a rapidly evolving situation. Uncertainty remains as to the full impacts of the COVID-19 pandemic on the global economy, commodity and financial markets, crude oil and natural gas capital investment levels in the Western Canadian Sedimentary Basin and the energy business more broadly. The ultimate impacts will depend on future developments that are highly uncertain and cannot be predicted, including the scope, severity, duration and additional subsequent waves of the COVID-19 pandemic, including introduction of new variants, as well as the effectiveness of actions and measures taken by the various levels of government. Despite recent positive vaccine developments, the ongoing evolution of the development and distribution of effective vaccines also continues to raise uncertainty.

The Company may face challenges, including increased risk of disputes and litigation, as a result of the effects of the COVID-19 pandemic on market and economic conditions and actions government authorities and financial lenders take in response to those conditions. Spartan may also face increased operational and reputational risks, including the potential for escalating counterparty risk. The COVID-19 pandemic has resulted, and may continue to result, in disruptions to some of our business partners, clients and customers and the way in which we conduct our business, including prolonged duration of staff working from home. These factors have impacted, and may continue to impact, our business operations and continuity of relationships with our business partners and lessees. Operational risks which may affect the Company or its business partners include the need to provide enhanced safety measures for employees and customers; complying with rapidly changing regulatory guidance; addressing the risks of attempted fraudulent activity and cybersecurity threat behaviour; and protecting the integrity and functionality of the Company's systems, networks and data as a larger number of employees work remotely. To date, Spartan has taken proactive measures through our business continuity plans to adapt to the ongoing work from home arrangements, carefully planning the return to the office environment for some of our employees, and our health and safety team has increased its efforts to preserve the well-being of our employees and our ability to conduct business.

If the COVID-19 pandemic is further prolonged, including the possibility of additional subsequent waves, or further diseases merge that give rise to similar effects, the adverse impact on the economy could deepen and result in further volatility and declines in commodity and financial markets. Moreover, it remains uncertain how the macroeconomic environment will be impacted following the COVID-19 pandemic. Unexpected developments in commodity and financial markets, regulatory environments, industrial activity or consumer behavior and confidence may also have adverse impacts on the Company's business and financial condition, potentially for a substantial period of time.

In virtually all aspects of our business and strategy, our view of risks is not static as our business activities expose us to a variety of risks. Consistent with our risk management framework, we actively manage our risks to help protect and enable our business and future prospects. Additionally, we continue to evaluate the impacts that the COVID-19 pandemic has had and continues to have on our business, including the impact on our top and emerging risks, operational and reputational risks as well as credit, market and liquidity and funding risks and environmental, social and governance risks.

Forward-Looking Information May Prove Inaccurate

Current and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties in this MD&A under the heading "Forward-Looking Statements".

ABBREVIATIONS

A&D	acquisitions and dispositions
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System, the Canadian benchmark price for natural gas
AIF	refers to the Company's Annual Information Form dated March 8, 2022
API	American Petroleum Institute gravity
bbl	barrel
bbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
CEWS	Canada Emergency Wage Subsidy
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
DCET	Capital expenditure incurred to drill, complete, equip and tie-in a well
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
G&A	general and administrative expenses
G&G	geological and geophysical expenses
GAAP	refers to Canadian Generally Accepted Accounting Principals, which incorporate International Financial Reporting Standards ("IFRS") for public companies
GJ	gigajoule
ICFR	internal controls over financial reporting
LMR	Liability Management Rating of the Alberta Energy Regulator
mbbls	one thousand barrels
mBOE	one thousand barrels of oil equivalent
mcf or MCF	one thousand cubic feet
mcf/d	one thousand cubic feet per day
MMBtu	one million British thermal units
mmcf	one million cubic feet
mmcf/d	one million cubic feet per day
nm	"not meaningful", generally with reference to a percentage change
NCL	non-capital losses
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
Q1 2021	First quarter of 2021
Q2 2021	Second quarter of 2021
Q3 2021	Third quarter of 2021
Q4 2021	Fourth quarter of 2021
Q1 2020	First quarter of 2020
Q2 2020	Second quarter of 2020
Q3 2020	Third quarter of 2020
Q4 2020	Fourth quarter of 2020
SRP	Site Rehabilitation Program of the Alberta government
TSX	Toronto Stock Exchange
US$	United States dollar
WTI	West Texas Intermediate, price paid in US$ at Cushing, Oklahoma, for crude oil of standard grade

FORWARD-LOOKING STATEMENTS

Certain statements contained within this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities legislation. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "budget", "plan", "endeavour", "continue", "estimate", "evaluate", "expect", "forecast", "monitor", "may", "will", "can", "able", "potential", "target", "intend", "consider", "focus", "identify", "use", "utilize", "manage", "maintain", "remain", "result", "cultivate", "could", "should", "believe" and similar expressions. The Company believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Without limitation, this MD&A contains forward-looking statements pertaining to:

- the intentions of management and the Company with respect to its growth strategy and business plan;
- Spartan's intention to maintain a flexible capital structure;
- Spartan's intentions to maintain a strong balance sheet to allow the Company to take advantage of opportunities;
- anticipated benefits of the acquisitions and future growth opportunities; the expectation that the acquisitions will provide multiple years of development drilling inventory; and estimated tax pools associated with the acquisitions;
- expectations with respect to production, Operating Netbacks, Operating Income, Adjusted Funds Flow, Free Funds Flow, Capital Expenditures and Net Debt;
- Spartan's objective to maintain an industry leading Liability Management Rating;
- estimated future development capital expenditures required to develop total proved plus probable reserves;
- capital resources and liquidity, including Spartan's expectations regarding sources of funding for future development capital expenditures and acquisitions;
- estimates used to calculate the fair value of net assets acquired through business combinations, decommissioning obligations, and depletion and impairment of PP&E;
- expectations of generating future taxable profits in order to realize deferred tax assets by utilizing available tax pools in the future;
- expectations regarding Spartan's position to withstand future commodity price volatility;
- the estimated amount of decommissioning costs expected to be recovered through funding under the Alberta government's Site Rehabilitation Program;
- commitments and contingencies; and
- expectations for forecast commodity prices in 2022 and beyond.

With respect to the forward-looking statements contained in this MD&A, Spartan has made assumptions regarding, among other things:

- future commodity prices, price differentials and the actual prices received for the Company's products;
- delays in the optimization of operations at the Company's properties;
- operating costs and expenditures;
- future production and recovery;
- anticipated fluctuations in foreign exchange rates;
- general economic conditions, including from the actions of oil and gas producing countries and the continuing impact of COVID-19;
- expected net production transportation expenses and operating costs;
- estimated reserves of oil and natural gas;
- the ability to obtain equipment and services in the field in a timely and efficient manner;
- the ability to add production and reserves through acquisition and/or drilling at competitive prices;
- the ability to explore diversified gas markets;
- the timing of anticipated future production additions from the Company's properties and acquisitions;
- the continued availability of capital and skilled personnel;
- the ability to obtain financing on acceptable terms;
- the impact of increasing competition;
- the ability of the Company to secure adequate product transportation; and
- the continuation of the current tax, royalty and regulatory regime.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include but are not limited to:

- failure to realize the anticipated benefits of the acquisitions completed during 2021;
- synergies of the acquisitions may be delayed or realized in a lesser amount than initially expected;
- unforeseen difficulties integrating the assets to be acquired pursuant to acquisitions into Spartan's operations;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the material uncertainties and risks described under the heading "Risks and Uncertainties" in this MD&A and in the Company's 2021 AIF;
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- incorrect assessments of the value of benefits to be obtained from the Company's exploration and development programs;
- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating crude oil and natural gas reserves and the ability of the Company to realize value from its properties;
- geological, technical, drilling and processing problems;
- facility and pipeline capacity constraints and access to processing facilities and to markets for production;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- fluctuations in the costs of borrowing;
- marketing and transportation;
- prevailing weather and break-up conditions;
- environmental risks;
- competition for, among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel;
- net production and transportation costs and future development costs;
- the ability to access sufficient capital from internal and external sources;
- ability to obtain regulatory approvals;
- changes in tax, royalty and environmental legislation; and
- litigation or regulatory proceedings that may be brought against the Company.

Readers are cautioned that the foregoing list of risk factors is not exhaustive. The risk factors above should be considered in the context of current economic conditions, the attitude of lenders and investors towards corporations in the energy industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also to be considered are increased levels of political uncertainty both domestically and abroad, possible changes to existing international trading agreements and relationships, as well as geopolitical risks including Russia's military actions in Ukraine. Legal challenges to asset ownership, limitations to rights of access and adequacy of pipelines or alternative methods of getting production to market may also have a significant effect on the Company's business. Additional information on these and other factors that could affect the business, operations or financial results of Spartan are included in reports on file with applicable securities regulatory authorities, including (but not limited to) the AIF, which may be accessed on Spartan's SEDAR profile at www.sedar.com or on the Company's website at www.spartandeltacorp.com.

The forward-looking statements and forward looking financial information ("FOFI") contained in this MD&A are made as of the date hereof and Spartan undertakes no obligation to update publicly or revise any forward-looking statements, forward-looking information or FOFI whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements and FOFI contained herein are expressly qualified by this cautionary statement.