



**SPARTAN**  
DELTA CORP.

**SPARTAN DELTA CORP.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
AS AT AND FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

## FINANCIAL AND OPERATING HIGHLIGHTS

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
<b>FINANCIAL HIGHLIGHTS</b>						
Oil and gas sales	357,126	296,425	20	1,464,467	608,142	141
Net income and comprehensive income	152,919	128,455	19	681,086	334,220	104
\$ per share, basic <sup>(3)</sup>	0.95	0.84	13	4.36	2.89	51
\$ per share, diluted <sup>(3)</sup>	0.87	0.76	14	3.88	2.50	55
Cash provided by operating activities	200,363	147,975	35	795,371	279,766	184
Adjusted Funds Flow <sup>(2)</sup>	232,839	137,026	70	825,667	293,986	181
\$ per share, basic <sup>(2)(3)</sup>	1.45	0.89	63	5.29	2.54	108
\$ per share, diluted <sup>(2)(3)</sup>	1.31	0.80	64	4.66	2.18	114
Free Funds Flow <sup>(2)</sup>	73,689	21,344	245	391,510	105,011	273
Cash used in investing activities	134,048	98,225	36	442,303	925,713	(52)
Capital Expenditures before A&D <sup>(2)</sup>	159,150	115,682	38	434,157	188,975	130
Adjusted Net Capital Acquisitions <sup>(2)</sup>	231	(1,437)	(116)	5,183	956,763	(99)
Total assets	2,099,475	1,742,414	20	2,099,475	1,742,414	20
Long-term debt	145,180	387,564	(63)	145,180	387,564	(63)
Net Debt <sup>(2)</sup>	138,376	458,259	(70)	138,376	458,259	(70)
Net Debt to Annualized AFF Ratio <sup>(2)</sup>	0.2 x	0.8 x	(75)	0.2 x	0.8 x	(75)
Shareholders' equity	1,516,821	886,649	71	1,516,821	886,649	71
Common shares outstanding, end of period (000s) <sup>(3)</sup>	171,410	153,214	12	171,410	153,214	12
<b>OPERATING HIGHLIGHTS</b>						
Average daily production						
Crude oil (bbls/d)	13,714	11,450	20	12,976	4,697	176
Condensate (bbls/d) <sup>(1)</sup>	2,549	2,373	7	2,328	1,924	21
NGLs (bbls/d) <sup>(1)</sup>	12,757	13,576	(6)	12,612	9,120	38
Natural gas (mcf/d)	273,716	270,176	1	271,010	191,596	41
BOE/d	74,639	72,428	3	73,084	47,674	53
Average realized prices, before financial instruments						
Crude oil (\$/bbl)	109.76	91.38	20	119.94	86.48	39
Condensate (\$/bbl) <sup>(1)</sup>	111.19	96.63	15	119.70	85.15	41
NGLs (\$/bbl) <sup>(1)</sup>	44.94	44.39	1	50.45	37.11	36
Natural gas (\$/mcf)	5.55	4.97	12	5.69	3.95	44
Combined average (\$/BOE)	52.01	44.48	17	54.90	34.95	57
Operating Netbacks (\$/BOE) <sup>(2)</sup>						
Oil and gas sales	52.01	44.48	17	54.90	34.95	57
Processing and other revenue	0.39	0.36	8	0.35	0.54	(35)
Royalties	(5.53)	(4.91)	13	(5.99)	(3.83)	56
Operating expenses	(8.64)	(7.52)	15	(8.75)	(6.61)	32
Transportation expenses	(2.76)	(2.41)	15	(2.80)	(2.00)	40
Operating Netback, before hedging (\$/BOE) <sup>(2)</sup>	35.47	30.00	18	37.71	23.05	64
Operating Netback, after hedging (\$/BOE) <sup>(2)</sup>	34.28	23.36	47	32.89	19.40	70
Adjusted Funds Flow Netback (\$/BOE) <sup>(2)</sup>	33.91	20.56	65	30.95	16.90	83

(1) Condensate is a natural gas liquid as defined by NI 51-101. See "Other Measurements".

(2) "Adjusted Funds Flow", "Free Funds Flow", "Capital Expenditures before A&D", "Adjusted Net Capital Acquisitions", "Net Debt", "Net Debt to Annualized AFF Ratio" and "Operating Netbacks" 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 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0H7. The registered office is located at 4300 Bankers Hall West, 888 – 3<sup>rd</sup> Street S.W., Calgary, Alberta T2P 5C5.

The following Management’s Discussion and Analysis (“MD&A”) has been prepared by management as of March 2, 2023, 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, 2022 and 2021 (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](http://www.sedar.com) and the Company’s website at [www.spartandeltacorp.com](http://www.spartandeltacorp.com). The Company’s AIF for the year ended December 31, 2022, will be filed on or before March 31, 2023.

### ***Background on 2021 Acquisitions***

During the previous year ended December 31, 2021, Spartan had an acquisitive growth strategy and closed a series of 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**”). 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 net debt (the “**Velvet Acquisition**”). Spartan also completed several smaller tuck-in acquisitions throughout 2021 to build upon the Company’s core land holdings in the 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**”). Throughout this MD&A, the acquisitions completed during the previous year are collectively referred to as the “**2021 Acquisitions**”.

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. The Company’s focus has shifted to organic growth through development of its core assets in the Montney and Deep Basin, targeting a mix of crude oil and liquids-rich natural gas prospects.

Unless otherwise noted, the financial information in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles (“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:

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	<b>2022</b>	2021	%	<b>2022</b>	2021	%
Oil and gas sales	<b>357,126</b>	296,425	20	<b>1,464,467</b>	608,142	141
Processing and other revenue	<b>2,695</b>	2,405	12	<b>9,306</b>	9,317	(0)
Royalties	<b>(37,937)</b>	(32,738)	16	<b>(159,877)</b>	(66,639)	140
Operating expenses	<b>(59,335)</b>	(50,125)	18	<b>(233,250)</b>	(115,011)	103
Transportation expenses	<b>(18,976)</b>	(16,081)	18	<b>(74,620)</b>	(34,738)	115
<b>Operating Income, before hedging</b>	<b>243,573</b>	199,886	22	<b>1,006,026</b>	401,071	151
Settlements on Commodity Derivative Contracts	<b>(8,202)</b>	(42,551)	(81)	<b>(128,265)</b>	(61,376)	109
Net Pipeline Transportation Margin	-	(1,685)	(100)	<b>(354)</b>	(2,083)	(83)
<b>Operating Income, after hedging</b>	<b>235,371</b>	155,650	51	<b>877,407</b>	337,612	160
Production (BOE)	<b>6,866,863</b>	6,663,389	3	<b>26,675,981</b>	17,400,667	53
<b>Operating Netback, before hedging (\$/BOE)</b>	<b>35.47</b>	30.00	18	<b>37.71</b>	23.05	64
<b>Operating Netback, after hedging (\$/BOE)</b>	<b>34.28</b>	23.36	47	<b>32.89</b>	19.40	70

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:

<i>(CA\$ thousands)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Cash provided by operating activities	200,363	147,975	35	795,371	279,766	184
Change in non-cash operating working capital	34,765	(8,509)	(509)	39,240	18,078	117
<b>Funds from Operations</b>	<b>235,128</b>	139,466	69	<b>834,611</b>	297,844	180
Add back: transaction costs	(43)	(71)	(39)	143	4,002	(96)
Deduct: lease payments	(2,246)	(2,369)	(5)	(9,087)	(7,860)	16
<b>Adjusted Funds Flow</b>	<b>232,839</b>	137,026	70	<b>825,667</b>	293,986	181
Deduct: Capital Expenditures before A&D <sup>(1)</sup>	(159,150)	(115,682)	38	(434,157)	(188,975)	130
<b>Free Funds Flow</b>	<b>73,689</b>	21,344	245	<b>391,510</b>	105,011	273

(1) Includes capital expenditures on exploration and evaluation assets and property, plant and equipment, see page 8.

### Adjusted Funds Flow per share (“AFF per share”)

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:

<i>(CA\$ thousands, except for share amounts)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
<b>Adjusted Funds Flow</b>	<b>232,839</b>	137,026	70	<b>825,667</b>	293,986	181
WA Shares outstanding (000s) – basic	<b>160,807</b>	153,128	5	<b>156,136</b>	115,555	35
WA Shares outstanding (000s) – diluted AFF	<b>177,193</b>	170,220	4	<b>177,020</b>	134,787	31
<b>AFF per share</b>						
Basic (\$ per common share)	<b>1.45</b>	0.89	63	<b>5.29</b>	2.54	108
Diluted (\$ per common share)	<b>1.31</b>	0.80	64	<b>4.66</b>	2.18	114

#### 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, 2022 and 2021, the Adjusted Working Capital (surplus) deficit includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities, dividends payable and the current portion of decommissioning obligations (see also, “Capital Resources and Liquidity”).

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”.

<i>(CA\$ thousands)</i>	December 31, 2022	December 31, 2021
Current assets	<b>(309,008)</b>	(110,158)
Current liabilities	<b>278,627</b>	243,574
Working capital (surplus) deficit	<b>(30,381)</b>	133,416
Adjusted for current portion of:		
Derivative financial instrument assets	<b>33,845</b>	268
Derivative financial instrument liabilities	<b>(818)</b>	(52,783)
Lease liabilities	<b>(9,450)</b>	(10,206)
<b>Adjusted Working Capital (surplus) deficit</b>	<b>(6,804)</b>	70,695
Long-term debt	<b>145,180</b>	387,564
<b>Net Debt</b>	<b>138,376</b>	458,259

In addition, Spartan has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. The Company’s total lease liability is \$45.5 million as at December 31, 2022 (December 31, 2021 – \$54.8 million), of which \$9.5 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 Annualized AFF Ratio

The Company monitors its capital structure and short-term financing requirements using a “**Net Debt to Annualized AFF Ratio**”, which is a non-GAAP financial ratio calculated as the Company’s Net Debt relative to its Annualized Adjusted Funds Flow. “**Annualized Adjusted Funds Flow**” is calculated by multiplying Adjusted Funds Flow for the most recently completed quarter, normalized for significant non-recurring items, by a factor of 4. 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 (see also, “Capital Resources and Liquidity”).

<i>(CA\$ thousands, unless otherwise indicated)</i>	<b>December 31, 2022</b>	December 31, 2021
Adjusted Funds Flow for the quarter	<b>232,839</b>	137,026
Less: Other income – gain on construction project <sup>(1)</sup>	<b>(14,315)</b>	-
Adjusted Funds Flow for the quarter, normalized	<b>218,524</b>	137,026
Factor to Annualize	<b>4</b>	4
<b>Annualized Adjusted Funds Flow <sup>(1)</sup></b>	<b>874,096</b>	548,104
Net Debt	<b>138,376</b>	458,259
Annualized Adjusted Funds Flow <sup>(2)</sup>	<b>874,096</b>	548,104
<b>Net Debt to Annualized AFF Ratio <sup>(2)</sup></b>	<b>0.2x</b>	0.8x

(1) The calculation of Annualized Adjusted Funds Flow has been normalized for the gain of \$14.3 million recognized on completion of an infrastructure construction project during the fourth quarter of 2022. Refer to additional information under the heading “Results of Operations – Other Income (Expenses)” of this MD&A.

(2) In the 2021 Annual Financial Statements, Spartan previously referred to this measure as the “Net Debt to Trailing AFF Ratio” based on “Trailing Adjusted Funds Flow”. The name has been changed to “Net Debt to Annualized AFF Ratio” based on “Annualized Adjusted Funds Flow”, however there is no change to the calculation methodology and the resulting ratio is unchanged.

## 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:

(CA\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Exploration and evaluation assets	11,927	10,434	17,255	18,140
Property, plant and equipment	147,223	105,248	416,902	170,835
<b>Capital Expenditures before A&amp;D</b>	<b>159,150</b>	115,682	<b>434,157</b>	188,975
Acquisitions	560	253	6,463	423,972
Dispositions	(329)	-	(1,280)	(453)
<b>Capital Expenditures</b>	<b>159,381</b>	115,935	<b>439,340</b>	612,494
Corporate acquisitions, cash acquired	-	-	-	(24,634)
Corporate acquisitions, repayment of debt	-	-	-	352,488
Change in non-cash investing working capital	(25,333)	(17,710)	2,963	(14,635)
<b>Cash used in investing activities</b>	<b>134,048</b>	98,225	<b>442,303</b>	925,713

## 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:

(CA\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Acquisitions <sup>(1)</sup>	560	253	6,463	423,972
Add non-cash consideration:				
Common share consideration	-	-	-	120,494
Convertible promissory note	-	-	-	25,293
Net Debt assumed on corporate acquisitions	-	(1,690)	-	387,457
<b>Total Consideration including Net Debt</b>	<b>560</b>	(1,437)	<b>6,463</b>	957,216
Less: Dispositions	(329)	-	(1,280)	(453)
<b>Adjusted Net Capital Acquisitions</b>	<b>231</b>	(1,437)	<b>5,183</b>	956,763

1) The year ended December 31, 2022 includes \$6.0 million related to the Bellatrix Corporate Acquisition (defined herein) and \$0.7 million of acquisition costs, net of \$0.2 million of proceeds from favourable closing adjustments on property acquisitions completed in the previous year.



## **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 by Spartan due to the significant difference in value per barrel. References to “liquids” includes crude oil, condensate and NGLs. References to “gas” relates to natural gas.

## **2022 HIGHLIGHTS AND 2023 OUTLOOK**

Spartan is pleased to report its financial and operating results for 2022 which highlight strong operational performance together with decade-high commodity prices.

- The Company achieved 53% growth in average production from 47,674 BOE/d in 2021 to 73,084 BOE/d in 2022, which exceeded the high-end of the range of its 2022 production guidance of 71,000 to 73,000 BOE/d.
  - Production averaged 74,639 BOE/d during the fourth quarter of 2022 (39% liquids).
- Following an acquisition heavy year in 2021, Spartan successfully executed a \$434 million capital program in 2022, with specific focus placed on the development of its Gold Creek and Karr assets located in the Montney oil window as well as continued development across multiple horizons in the Deep Basin.
  - In the Montney, Spartan drilled 24.2 net wells, completed 26.2 net wells and 2.0 disposals wells, and brought 23.9 net wells on production.
  - In the Deep Basin, Spartan drilled and completed 21.0 net wells and brought 20.0 net wells on production.
- Oil and gas sales revenue increased by 141% to \$1.464 billion in 2022 compared to \$608 million in 2021, driven by the Company’s production growth and materially higher oil and gas prices.
- Spartan reported net income for 2022 of \$681 million (\$3.88 per share, diluted), up 104% from \$334 million (\$2.50 per share, diluted) in 2021.
- The Company’s operations generated Adjusted Funds Flow of \$233 million (\$1.31 per share, diluted) in the fourth quarter and \$826 million (\$4.66 per share, diluted) for the year ended December 31, 2022.
- Free Funds Flow of \$392 million generated in 2022 was used to:
  - repay the Company’s bank debt in full and significantly reduce its Net Debt to \$138 million at December 31, 2022, down from \$458 million at December 31, 2021;
  - return capital to shareholders by declaring a special dividend of \$86 million (\$0.50 per share) payable on January 16, 2023, to eligible shareholders of record on December 15, 2022; and
  - fund a strategic corporate acquisition for cash consideration of \$6 million in August 2022, pursuant to which Spartan assumed approximately \$625 million of non-capital loss tax pools which further extended the Company’s tax horizon. Spartan’s total available tax pools are estimated to be \$2.1 billion at December 31, 2022.

The table below summarizes Spartan's actual results for the year ended December 31, 2022, compared to the financial and operating guidance published in the Company's press release dated August 9, 2022 ("**2022 Guidance**"):

Year ended December 31, 2022	2022	2022	Variance <sup>(1)</sup>	
	Results	Guidance	Amount	%
Average Production (BOE/d) <sup>(1)</sup>	<b>73,084</b>	71,000 – 73,000	1,084	2
% Liquids	<b>38%</b>	38%	0%	(1)
Benchmark Average Commodity Prices <sup>(3)</sup>				
WTI crude oil price (US\$/bbl)	<b>94.23</b>	95.67	(1.44)	(2)
NYMEX Henry Hub natural gas price (US\$/mmbtu)	<b>6.64</b>	6.97	(0.33)	(5)
AECO 7A natural gas price (\$/GJ)	<b>5.27</b>	5.45	(0.18)	(3)
Average exchange rate (US\$/CA\$)	<b>1.30</b>	1.28	0.02	2
Operating Netback, before hedging (\$/BOE) <sup>(2)</sup>	<b>37.71</b>	38.69	(0.98)	(3)
Operating Netback, after hedging (\$/BOE) <sup>(2)</sup>	<b>32.89</b>	33.94	(1.05)	(3)
Settlements on Commodity Derivative Contracts (\$MM) <sup>(2)</sup>	<b>(128)</b>	(124)	(4)	3
Adjusted Funds Flow (\$MM) <sup>(2)</sup>	<b>826</b>	840	(14)	(2)
Capital Expenditures before A&D (\$MM) <sup>(2)</sup>	<b>434</b>	420	14	3
Free Funds Flow (\$MM) <sup>(2)</sup>	<b>392</b>	420	(28)	(7)
Adjusted Net Capital Acquisitions (\$MM) <sup>(2)</sup>	<b>5</b>	5	-	-
Net Debt, end of year (\$MM) <sup>(2)(4)</sup>	<b>138</b>	41	97	237
Common shares outstanding, end of year (MM) <sup>(5)</sup>	<b>171</b>	155	16	10

(1) The financial performance measures included in the Company's 2022 Guidance were based on the midpoint of the average production forecast of 72,000 BOE/d.

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

(3) The forecast of benchmark average prices for the 2022 calendar year was based on actual prices for the period ended June 30, 2022, and the following forecast prices for the second half of 2022: WTI US\$90/bbl; NYMEX US\$7.88/mmbtu; AECO 7A \$5.75/GJ; and a US\$/CA\$ exchange rate of 1.29.

(4) The \$97 million variance in Net Debt compared to 2022 Guidance is primarily due to (i) \$28 million shortfall of Free Funds Flow; (ii) \$86 million special dividend declared in November 2022 payable in January 2023; and (iii) partly offset by \$17 million of cash proceeds from stock options and warrants exercised during the second half of 2022.

(5) Guidance for the basic common shares outstanding at December 31, 2022 did not include common shares potentially issuable in respect of dilutive securities for which the exercise is discretionary on behalf of the holder. The variance from 2022 Guidance reflects the exercise of 0.6 million stock options and 15.3 million common share purchase warrants during the second half of 2022.

The Company outperformed the midpoint of annual production guidance by over 1,000 BOE/d in 2022, however Adjusted Funds Flow of \$826 million came in 2% lower than guidance of \$840 million primarily due to weaker realized gas pricing. Although the actual average AECO 7A benchmark price of \$5.40/GJ during the second half of 2022 was only 6% lower than strip pricing used in the H2 budget of \$5.75/GJ, AECO 5A pricing was discounted to AECO 7A by an average of \$1.00/GJ during the second half of 2022 which negatively impacted realized pricing (approximately 55% of gas sold at 5A in H2). The impact was partly offset by higher liquids revenue driven by (i) higher crude oil and NGLs volumes than forecast; (ii) better MSW and C5+ differentials than budgeted; and (iii) a stronger U.S. dollar. The impact of lower gas revenue was also partly mitigated by lower royalties which averaged 10.9% of revenue in 2022 compared to forecast of 12.6%. Per unit average operating and transportation expenses of \$8.75 per BOE and \$2.80 per BOE, respectively, were generally in-line with budget.

Capital Expenditures before A&D were \$434 million in 2022 including incremental Crown land acquisition costs during the fourth quarter which were not included in the Company's original capital budget of \$420 million. In addition, Spartan accelerated the scope of drilling operations in the Deep Basin to optimize rig utilization and accelerated certain infrastructure construction projects into the fourth quarter of 2022 which, at the time of releasing guidance in August 2022, were originally planned for 2023. The impact of accelerating this capital into 2022 was updated at the time of

announcing the Company's preliminary guidance for 2023 on November 30, 2022. Accordingly, there is no change to Spartan's preliminary 2023 capital budget of \$430 million.

### **2023 OUTLOOK AND GUIDANCE**

In the fourth quarter of 2022, Spartan announced that its Board of Directors had commenced a formal process to evaluate strategic positioning alternatives in an effort to enhance shareholder value (the "**Repositioning Process**"). The Repositioning Process is progressing as planned and includes the evaluation of a broad range of alternatives including, but not limited to, a corporate sale, merger, corporate restructuring, sale of select assets, sale of a royalty, purchase of assets, the spin-out of select assets into a newly-formed company whose securities would be distributed to shareholders or any combination of these potential alternatives in conjunction with a robust return of capital strategy.

Spartan's business has not been impacted during this Repositioning Process and the Company continues to execute on the 2023 budget published in its press release dated November 30, 2022. The Company's budget of \$430 million of capital expenditures and forecast average production of between 80,000 to 82,000 BOE per day for 2023 remains unchanged.

The Company has delayed implementing a future return of capital strategy, which may include a combination of share repurchases, base dividend payments and/or special dividend payments, until completion of the Repositioning Process.

## RESULTS OF OPERATIONS

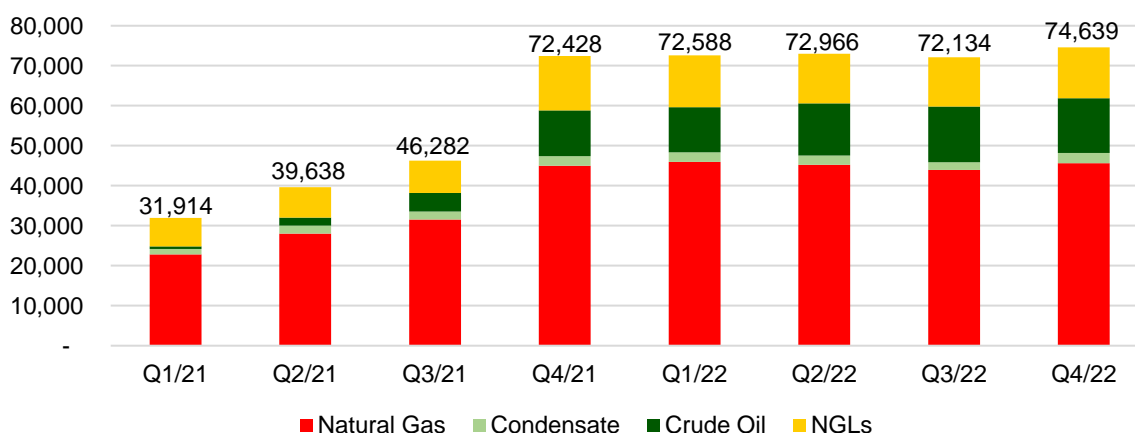
### PRODUCTION

Average daily production	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Crude oil (bbls/d)	13,714	11,450	20	12,976	4,697	176
Condensate (bbls/d)	2,549	2,373	7	2,328	1,924	21
NGLs (bbls/d)	12,757	13,576	(6)	12,612	9,120	38
Natural gas (mcf/d)	273,716	270,176	1	271,010	191,596	41
Combined average (BOE/d)	74,639	72,428	3	73,084	47,674	53
% Liquids	39%	38%	3	38%	33%	15

Production averaged 74,639 BOE per day during the fourth quarter of 2022, up 3% from the average production of 72,428 BOE per day in the fourth quarter of 2021. Organic growth through the Company's Montney and Deep Basin drilling programs more than offset natural well declines quarter over quarter, with the Montney drilling program driving the 20% increase in crude oil production. For the year ended December 31, 2022, production increased by 53% to 73,084 BOE per day from 47,674 BOE per day in the year of 2021. The significant growth in production was achieved through the acquisitions completed during 2021, combined with success of the Company's organic development program.

Spartan brought 17.5 net wells on production during the fourth quarter of 2022, including 9 (9.0 net) wells over two pads in East Gold Creek. In the Deep Basin, Spartan brought an additional 9 (8.5 net) wells on production, with a focus on Falher B wells. The Company's development capital expenditure program resulted in a total of 43.9 net wells being brought-on production during 2022, compared to 28.9 net wells in the previous year.

Average Daily Production by Quarter (BOE/d)



Prior to completing the Inception Acquisition and Simonette Acquisition on March 18, 2021, the Company's operations were concentrated in the central Alberta Deep Basin. 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 the Company's drilling program. Production in the first three quarters of 2022 was relatively consistent as production from new wells offset natural declines and replaced production downtime from major facility

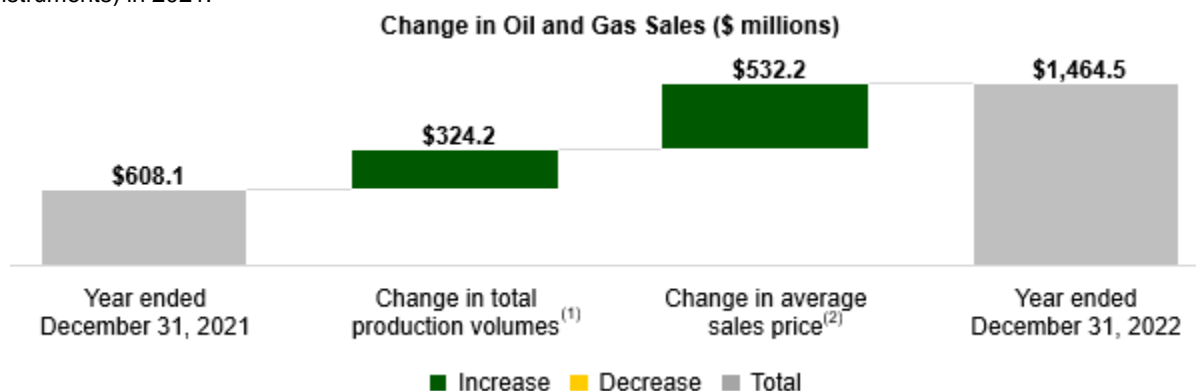
turnarounds completed in the Deep Basin, West Gold Creek and Pouce Coupe areas during the second quarter. The production increase in the fourth quarter of 2022 is reflective of the success of the Company's winter drilling program.

## OIL AND GAS SALES

(CA\$ thousands, unless otherwise indicated)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Oil and gas sales, before royalties						
Crude oil	138,487	96,257	44	568,076	148,258	283
Condensate	26,077	21,092	24	101,702	59,783	70
NGLs	52,748	55,440	(5)	232,260	123,543	88
Natural gas	139,814	123,636	13	562,429	276,558	103
Oil and gas sales, before royalties	357,126	296,425	20	1,464,467	608,142	141
Average realized prices, before financial instruments						
Crude oil (\$/bbl)	109.76	91.38	20	119.94	86.48	39
Condensate (\$/bbl)	111.19	96.63	15	119.70	85.15	41
NGLs (\$/bbl)	44.94	44.39	1	50.45	37.11	36
Natural gas (\$/mcf)	5.55	4.97	12	5.69	3.95	44
Combined average (\$/BOE)	52.01	44.48	17	54.90	34.95	57
Average realized prices, after financial instruments <sup>(1)</sup>						
Crude oil (\$/bbl)	109.76	74.44	47	108.97	73.00	49
Condensate (\$/bbl)	111.19	94.25	18	119.70	84.26	42
NGLs (\$/bbl)	44.94	44.39	1	50.45	37.11	36
Natural gas (\$/mcf)	5.22	4.00	31	4.92	3.41	44
Combined average (\$/BOE)	50.82	38.09	33	50.09	31.42	59

(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".

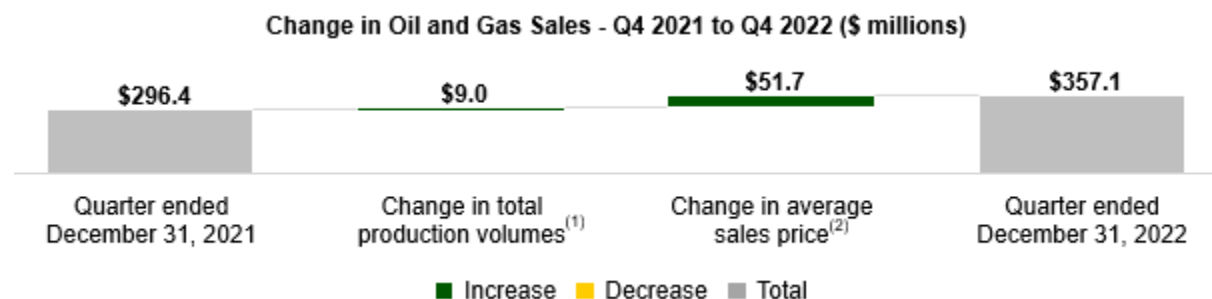
Oil and gas sales were \$357.1 million in the fourth quarter and reached \$1.464 billion during the year ended December 31, 2022. By comparison, oil and gas sales were \$296.4 million and \$608.1 million during the corresponding three and twelve-month periods of 2021. The increase in oil and gas sales was driven by materially higher commodity prices together with the increase in production. The significant increase in the crude oil weighting of Spartan's production relative to the comparative periods further contributed to the increase in the Company's average realized prices. Spartan's combined average realized price of \$54.90 per BOE (\$50.09 per BOE after financial instruments) for the year ended December 31, 2022 is 57% higher than the average price of \$34.95 per BOE (\$31.42 per BOE after financial instruments) in 2021.



(1) Calculated as the change in volumes from the prior period to the current period multiplied by the prior period average selling price.

(2) Calculated as the change in average selling price from the prior period to the current period multiplied by the current period volumes.

Significantly higher benchmark commodity prices compounded the 20% increase in crude oil production between the fourth quarters of 2022 and 2021. As a result, Spartan's oil and gas sales revenue increased by 20% compared to the prior quarter ended December 31, 2021, with the change driven by a 17% increase in the combined average realized price from \$44.48 per BOE (\$38.09 per BOE after financial instruments) to \$52.01 per BOE (\$50.82 per BOE after financial instruments) in the quarter ended December 31, 2022. Additionally, cash settlements on commodity derivative contracts decreased from \$42.6 million (\$6.39 per BOE) in the fourth quarter of 2021 to \$8.2 million (\$1.19 per BOE) in the fourth quarter of 2022, partly driven by maturity of the Company's oil hedges as of June 30, 2022 (see also, "Commodity Price Risk Management").



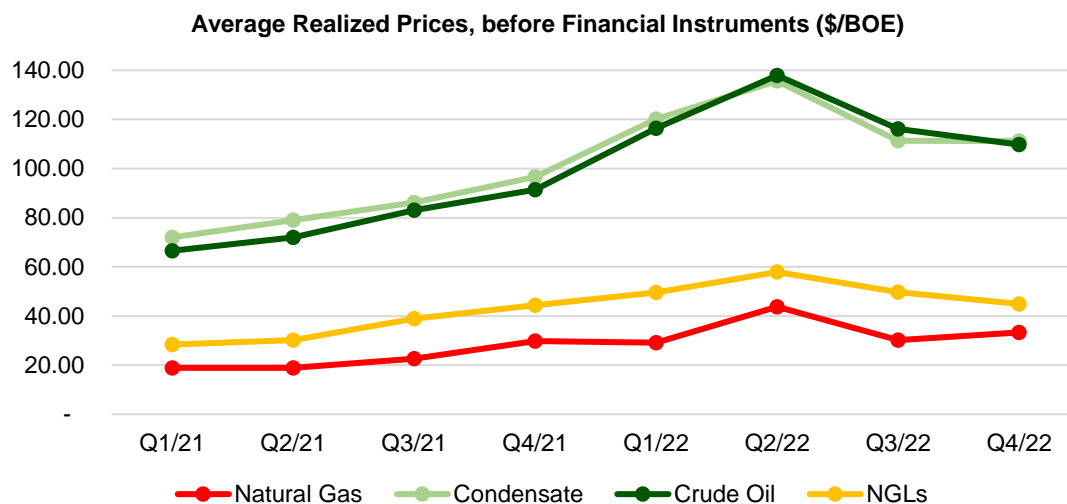
- (1) Calculated as the change in volumes from the prior period to the current period multiplied by the prior period average selling price.  
(2) Calculated as the change in average selling price from the prior period to the current period multiplied by the current period volumes.

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

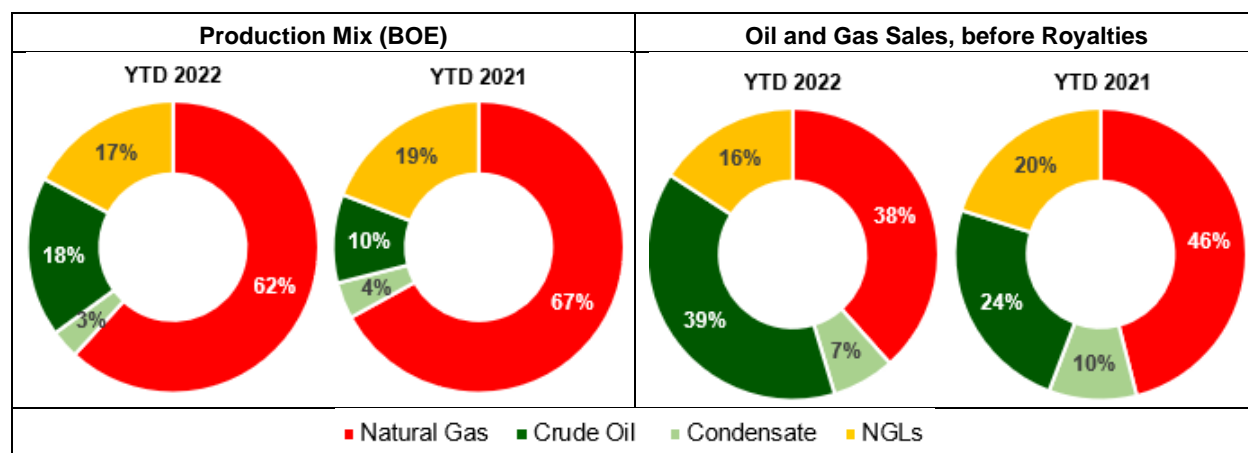
Benchmark commodity prices	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
WTI Cushing Oklahoma (US\$/bbl) <sup>(1)</sup>	<b>82.64</b>	77.19	7	<b>94.23</b>	67.91	39
WTI Cushing Oklahoma (CA\$/bbl) <sup>(2)</sup>	<b>112.19</b>	97.19	15	<b>122.39</b>	85.04	44
Mixed Sweet Blend ("MSW") (CA\$/bbl) <sup>(3)</sup>	<b>110.01</b>	93.29	18	<b>120.08</b>	80.17	50
Conway propane (US\$/gallon) <sup>(4)</sup>	<b>0.85</b>	1.25	(32)	<b>1.11</b>	1.04	7
NYMEX Henry Hub (US\$/mmbtu) <sup>(5)</sup>	<b>6.26</b>	5.83	7	<b>6.64</b>	3.84	73
NYMEX - AECO 7A Basis (US\$/mmbtu)	<b>(2.14)</b>	(1.90)	13	<b>(2.36)</b>	(1.00)	136
AECO 7A (CA\$/GJ) <sup>(6)</sup>	<b>5.29</b>	4.68	13	<b>5.27</b>	3.38	56
AECO 5A (CA\$/GJ) <sup>(7)</sup>	<b>4.85</b>	4.41	10	<b>5.04</b>	3.44	47
Exchange rate (US\$/CA\$) <sup>(1)</sup>	<b>1.36</b>	1.26	8	<b>1.30</b>	1.25	4

- (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 Spartan's average realized prices before financial instruments, by commodity type over the past eight quarters:



The charts below highlight Spartan's production mix and the relative contribution to total oil and gas sales revenue in 2022 relative to 2021.



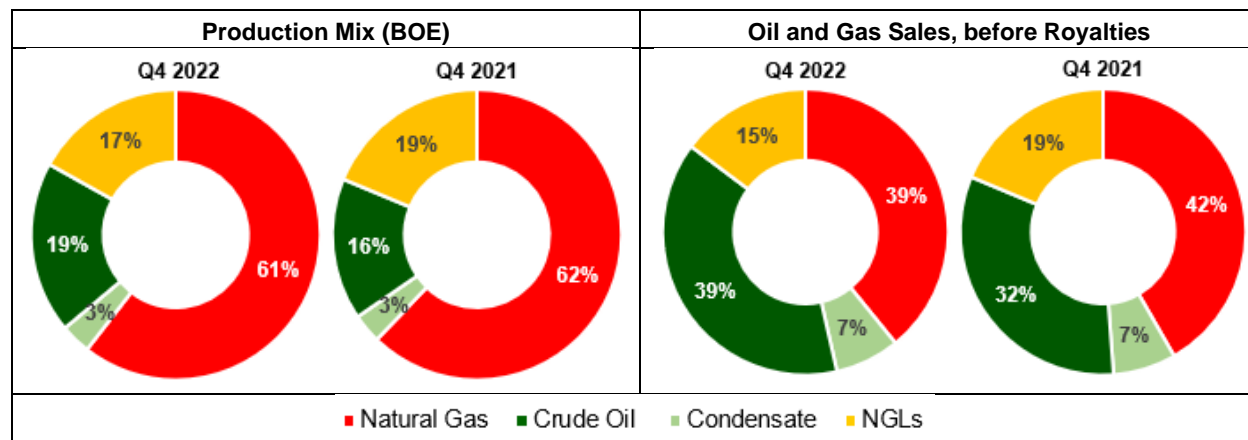
Natural gas represented 62% of total production volumes and contributed to \$562.4 million (38%) of Spartan's total sales revenue during the year ended December 31, 2022. In the previous year, natural gas contributed to 67% of production and 46% of sales revenue. Spartan's 2022 realized gas price of \$5.69 per mcf increased by 44% from \$3.95 per mcf in 2021. The Company's natural gas is delivered and sold under AECO based contracts, with approximately 60% priced at AECO 5A and 40% at AECO 7A on average during 2022. The increase in the Company's realized natural gas price over 2021 is in line with the weighted average change in AECO 5A and 7A reference prices.

Together, crude oil and condensate represented 21% of production and contributed to \$669.8 million (46%) of Spartan's total sales revenue during the year ended December 31, 2022. In the previous year, oil and condensate contributed to 14% of production and 34% of sales revenue. The significant increase in the crude oil percentage of production and revenue highlights the diversification of the Company's portfolio through the 2021 Acquisitions and continued development of its Montney oil assets in 2022. Spartan realized an average price for its crude oil and condensate sales of \$119.90 per barrel during 2022, up 39% from \$86.09 per barrel in 2021. The Canadian dollar equivalent WTI benchmark price increased by 44% in 2022 as compared to 2021. The percentage increase in Spartan's realized price

is less than the percentage increase in the calendar year average WTI reference price because the Company's prior year oil sales were back-weighted to the last four months of 2021 following the Velvet Acquisition.

NGLs (excluding condensate) were 17% of Spartan's total production volumes in 2022 and contributed \$232.3 million (16%) of Spartan's total sales revenue. In the previous year, NGLs contributed to 19% of production and 20% of sales revenue. The Company reported an average NGLs sales price of \$50.45 per barrel in 2022, up 36% from \$37.11 per barrel in 2021. The strength of the underlying WTI reference price in 2022 was slightly subdued by the disproportionate change in Conway propane pricing which increased by 7% from US\$1.04/gallon in 2021 to US\$1.11/gallon in 2022.

The charts below highlight Spartan's production mix and the relative contribution to total oil and gas sales revenue in the fourth quarter of 2022 relative to the fourth quarter of 2021.



For the fourth quarter of 2022, natural gas represented 61% of total production volumes and contributed to \$139.8 (39%) of total sales revenue. Spartan's realized gas price for the fourth quarter of 2022 of \$5.55/mcf increased by 12% from \$4.97/mcf in the fourth quarter of 2021. The increase in the Company's realized natural gas price over the same quarter of 2021 is in line with the weighted average change in AECO 5A and 7A reference prices (sales were approximately 50/50 weighted to AECO 5A/7A pricing in the fourth quarter of 2022).

Together, crude oil and condensate represented 22% of production and contributed to \$164.6 million (46%) of Spartan's total sales revenue during the fourth quarter of 2022. Spartan realized an average price for its crude oil and condensate sales of \$109.99 per barrel during the fourth quarter of 2022, up 19% compared to the average price of \$92.28 per barrel in the fourth quarter of 2021, in-line with the 18% increase in MSW benchmark pricing over the corresponding quarters.

NGLs (excluding condensate) were 17% of Spartan's total production volumes in the fourth quarter of 2022 and contributed \$52.7 million (15%) of Spartan's total sales revenue. The Company reported an average NGL sales price of \$44.94 per barrel in the fourth quarter of 2022, up 1% from \$44.39 per barrel in the fourth quarter of 2021. The Conway propane benchmark price decreased by 32% from US\$1.25/gallon in the fourth quarter of 2021 to US\$0.85/gallon in the fourth quarter of 2022, offsetting the increase in WTI benchmark pricing over the same period.



## 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. The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as at December 31, 2022:

Period	Natural Gas <sup>(1)(6)(7)</sup>							
	NYMEX Henry Hub Swaps <sup>(2)</sup>		NYMEX Henry Hub Collars <sup>(3)(4)</sup>		NYMEX – AECO 7A Basis Swaps – Short <sup>(2)</sup>		AECO 7A Swaps <sup>(5)</sup>	
	Volume mmbtu/d	US\$/mmbtu	Volume mmbtu/d	Floor – Ceiling US\$/mmbtu	Volume mmbtu/d	US\$/mmbtu	Volume GJ/d	CA\$/GJ
Q1 2023	26,389	\$2.83	30,000	\$3.75 - \$8.25	85,000	(\$1.13)	-	-
Q2 2023	85,000	\$4.74	-	-	85,000	(\$1.09)	55,000	\$4.00
Q3 2023	85,000	\$4.74	-	-	85,000	(\$1.08)	55,000	\$4.00
Q4 2023	85,000	\$4.74	-	-	85,000	(\$1.08)	18,533	\$4.00

(1) The prices and volumes in this table represent averages for contracts represented in the respective quarters.

(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.

(3) Represent collar positions with a floor price (long put) and a price ceiling (short call) for Spartan.

(4) Floor and ceiling represent the average strike price of the long put and short call positions.

(5) AECO 7A swaps are settled the first day of the month based on a weighted average of the previous month's fixed price trades.

(6) All crude oil contracts matured as of June 30, 2022. The Company's oil production remains unhedged as at December 31, 2022.

(7) The Company also contracted to fix the U.S. dollar exchange rate at \$1.34 on a notional US\$9.0 million per month from April 1 to December 31, 2023.

During the fourth quarter of 2022, Spartan entered into derivative financial contracts to fix the NYMEX Henry Hub natural gas price at US\$5.02/mmbtu on notional volumes of 75,000 mmbtu per day from April 1 to December 31, 2023. The Company also contracted to fix the U.S. dollar exchange rate at \$1.34 on a notional US\$9.0 million per month over the same period. Together, with an existing NYMEX Henry Hub swap of 10,000 mmbtu per day at US\$2.65/mmbtu, these contracts effectively converted the Company's unmatched AECO basis positions into AECO fixed price swaps at a Canadian dollar equivalent price of approximately \$4.65/GJ on 85,000 mmbtu per day (approximately 89,650 GJ per day) for the period of April 1 to December 31, 2023. The Company also entered into derivative financial contracts to fix the AECO 7A price at \$4.00/GJ, on notional volumes of 55,000 GJ per day from April 1, 2023 to October 31, 2023, locking in summer gas pricing. All crude oil contracts matured as of June 30, 2022 and the Company's oil production remains unhedged as at December 31, 2022.

The fair value of outstanding risk management contracts resulted in a net derivative financial instrument asset of \$33.0 million at December 31, 2022, compared to a net liability of \$64.3 million at December 31, 2021. The fair values and gains or losses by contract type are summarized below for the year ended December 31, 2022:

Derivative Financial Instruments <sup>(1)</sup>	Nature of Contract					Total
	WTI Cushing	AECO 7A	NYMEX Henry Hub	AECO Basis	Foreign exchange	
<i>(CA\$ thousands)</i>						
<b>Fair value asset (liability) at December 31, 2022</b>	-	<b>10,659</b>	<b>11,473</b>	<b>11,713</b>	<b>(818)</b>	<b>33,027</b>
Fair value asset (liability) at December 31, 2021	(24,443)	(4,649)	(24,650)	(10,442)	(137)	(64,321)
Net change	24,443	15,308	36,123	22,155	(681)	97,348
Settlements of acquired derivative liabilities	(16,127)	-	(21,260)	(8,394)	-	(45,781)
Unrealized gain (loss)	8,316	15,308	14,863	13,761	(681)	51,567
Realized gain (loss)	(35,847)	(6,607)	(97,893)	58,359	(496)	(82,484)
<b>Gain (loss) on derivative financial instruments</b>	<b>(27,531)</b>	<b>8,701</b>	<b>(83,030)</b>	<b>72,120</b>	<b>(1,177)</b>	<b>(30,917)</b>

(1) The fair value of the Company's risk management contracts is highly sensitive to forecast oil and gas prices and the US\$/CA\$ exchange rate. Refer to sensitivities under the heading "Risks and Uncertainties – Commodity Price Risk".

Spartan recognized a total loss on derivative financial instruments of \$30.9 million during the year ended December 31, 2022, comprised of \$82.5 million of realized losses offset by an unrealized gain of \$51.6 million on the change in fair value of outstanding contracts during the period. Subsequent to entering the new natural gas hedges, the forward price curves for 2023 for both AECO 7A and NYMEX Henry Hub softened as at December 31, 2022, contributing to the unrealized gain during the fourth quarter of 2022 and the resulting derivative financial instrument asset at year-end.

The following table summarizes the realized and unrealized component of the gain or loss on derivative financial instruments recognized in the Consolidated Statements of Net Income and Comprehensive Income during the periods:

<i>(CA\$ thousands)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Realized loss	<b>(2,429)</b>	(17,397)	(86)	<b>(82,484)</b>	(27,966)	195
Unrealized gain (loss)	<b>23,566</b>	34,927	(33)	<b>51,567</b>	(391)	nm
Gain (loss) on derivative financial instruments	<b>21,137</b>	17,530	21	<b>(30,917)</b>	(28,357)	9

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 acquisition date fair value of the contracts as of August 31, 2021. The following table reconciles total cash Settlements on Commodity Derivative Contracts, which is a non-GAAP financial measure, to the realized loss reported:

<i>(CA\$ thousands)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Crude oil	-	(17,850)	(100)	<b>(51,975)</b>	(23,111)	125
Condensate	-	(519)	(100)	-	(627)	(100)
NGLs	-	-	-	-	-	-
Natural gas	<b>(8,202)</b>	(24,182)	(66)	<b>(76,290)</b>	(37,638)	103
Settlements on Commodity Derivative Contracts	<b>(8,202)</b>	(42,551)	(81)	<b>(128,265)</b>	(61,376)	109
Less: Settlements of acquired liabilities	<b>5,773</b>	25,154	(77)	<b>45,781</b>	33,410	37
Realized loss	<b>(2,429)</b>	(17,397)	(86)	<b>(82,484)</b>	(27,966)	195

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

### Physical hedging

<i>(CA\$ thousands)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Pipeline transportation revenue	-	913	(100)	<b>1,364</b>	1,380	(1)
Pipeline transportation expense	-	(2,598)	(100)	<b>(1,718)</b>	(3,463)	(50)
Net Pipeline Transportation Margin	-	(1,685)	(100)	<b>(354)</b>	(2,083)	(83)

Pipeline transportation revenue and expenses relate to certain marketing and transportation contracts assumed through the Velvet Acquisition related to commitments on the Spearhead and Flanagan South pipelines. During the first quarter of 2022, Spartan entered into an agreement with a third party to assign its firm transportation capacity and related obligations under these contracts effective April 1, 2022. Pursuant to the assignment agreement, Spartan received cash proceeds of US\$0.5 million and has reduced the Company’s aggregate contractual commitments by approximately \$72.3 million (see “Commitments and Contingencies”). The contracts were not integral to Spartan’s core business operations. During the first quarter of 2022, prior to the assignment, the net revenue realized under the associated contracts was less than the pipeline tolls resulting in a net loss of \$0.4 million.

## ROYALTIES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Gross royalties, before GCA	43,594	38,053	15	186,221	84,122	121
Gas cost allowance	(5,657)	(5,315)	6	(26,344)	(17,483)	51
Royalties	37,937	32,738	16	159,877	66,639	140
\$ per BOE	5.53	4.91	13	5.99	3.83	56
Average royalty rate (% of sales)	10.6%	11.0%	(4)	10.9%	11.0%	(1)

Total royalties of \$37.9 million and \$159.9 million for the three months and year ended December 31, 2022, respectively, have increased significantly relative to the same periods in 2021 in line with the increase in revenue.

Spartan's average royalty rate of 10.9% for the year ended December 31, 2022 is substantially unchanged from the average royalty rate of 11.0% in the previous year. Integration of the Velvet Acquisition subsequently contributed to lower average royalties in the second half of 2021 as the core assets located at East Gold Creek qualify for a flat 5% royalty under the Alberta Emerging Resources Program. However, the impact of higher commodity prices in 2022 substantially offset this enhanced benefit, resulting in the Company's corporate average royalty rate remaining relatively flat compared to the same period of 2021. Spartan's average royalty rate of 10.6% in the fourth quarter of 2022 is lower than the annual average primarily due to significant volumes from new wells recently brought-on production which qualify for before-payout royalty rates.

## PROCESSING AND OTHER REVENUE

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Processing and other	2,695	2,405	12	9,306	9,317	(0)
\$ per BOE	0.39	0.36	8	0.35	0.54	(35)

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 relative to the year ended December 31, 2021 primarily due to the increase in corporate total production following the 2021 Acquisitions.

## OPERATING EXPENSES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Operating expenses	59,335	50,125	18	233,250	115,011	103
\$ per BOE	8.64	7.52	15	8.75	6.61	32

Operating expenses were \$59.3 million (\$8.64 per BOE) for the three months ended December 31, 2022, up from \$50.1 million (\$7.52 per BOE) in the comparative quarter ended December 31, 2021. Higher operating costs reflects the 20% increase in crude oil production quarter over quarter, driven by development in the Montney which carries higher average operating costs relative to the liquids-rich natural gas assets in the Deep Basin.

Total operating expenses were \$233.3 million and averaged \$8.75 per BOE for the year ended December 31, 2022, up from \$115.0 million or \$6.61 per BOE in 2021. The increase in total and per unit operating expenses reflects integration of the oil-weighted higher operating cost Montney assets through the Velvet Acquisition on August 31, 2021 as well as major facility turnarounds and workover and maintenance operations completed during 2022. Additionally, widespread cost inflation as well as supply shortages due to increased oil and gas industry activity in 2022 continued to put upward pressure on the cost of labour and materials, fuel, electricity and trucking costs during the year.

## TRANSPORTATION EXPENSES

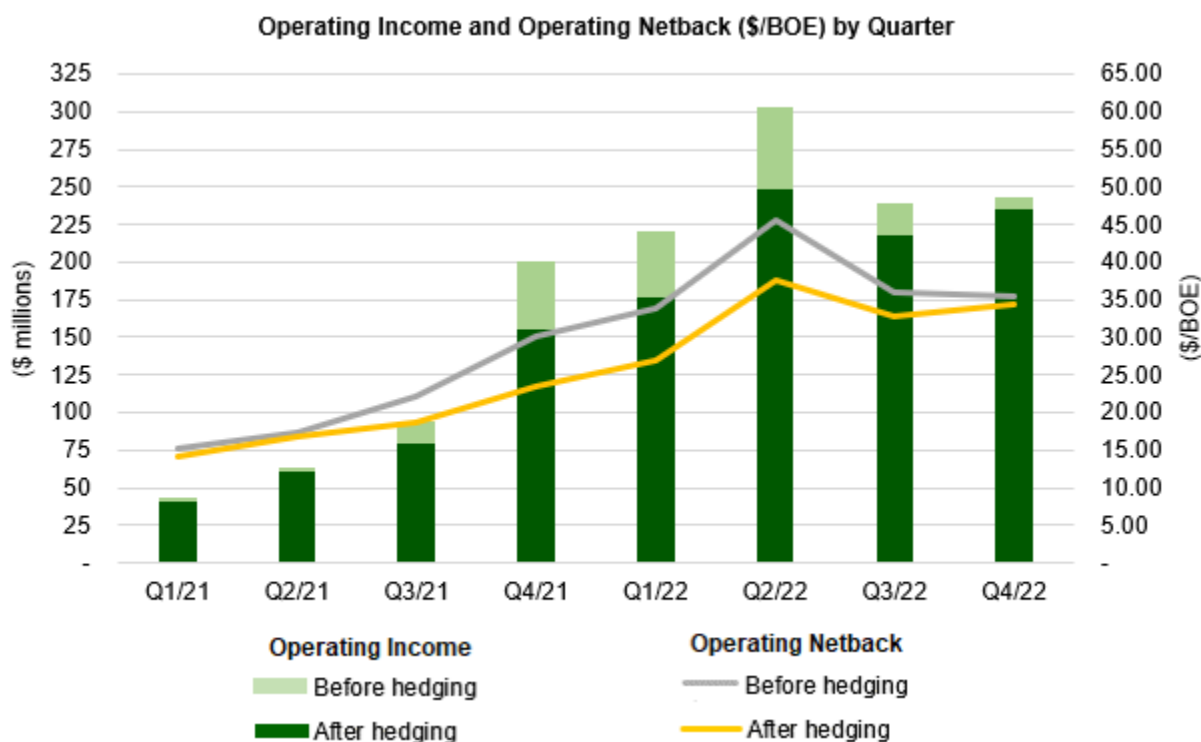
<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Transportation expenses	18,976	16,081	18	74,620	34,738	115
\$ per BOE	2.76	2.41	15	2.80	2.00	40

Transportation expenses of \$19.0 million (\$2.76 per BOE) for the three months ended December 31, 2022 have increased from \$16.1 million (\$2.41 per BOE) during the prior quarter ended December 31, 2021, reflecting the 20% increase in crude oil production which carries a higher transportation cost.

Total transportation expenses have increased in 2022 relative to the comparative periods of 2021 in conjunction with the Company's significant production growth. The increase in per unit transportation costs reflects higher costs of transporting crude oil relative to natural gas, the location differential of the northwest Alberta Montney relative to the Deep Basin and the assumption of firm transportation commitments through the Velvet Acquisition.

## OPERATING INCOME AND OPERATING NETBACKS

The Company's field operations generated \$1.006 billion of Operating Income before hedging during the year ended December 31, 2022, up 151% from \$401.1 million in 2021. While losses on commodity price risk management contracts softened the impact of higher commodity prices, hedging losses decreased significantly in the second half of 2022 primarily due to maturity of the Company's oil hedges as of June 30, 2022. Operating Income after hedging was \$235.4 million for the fourth quarter of 2022 compared to \$155.7 million in the same quarter of 2021. The chart below highlights the changes in Spartan's quarterly Operating Income and Operating Netbacks, before and after hedging, during 2021 and 2022:



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

(\$ per BOE)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Oil and gas sales	52.01	44.48	17	54.90	34.95	57
Processing and other revenue	0.39	0.36	8	0.35	0.54	(35)
Royalties	(5.53)	(4.91)	13	(5.99)	(3.83)	56
Operating expenses	(8.64)	(7.52)	15	(8.75)	(6.61)	32
Transportation expenses	(2.76)	(2.41)	15	(2.80)	(2.00)	40
<b>Operating Netback, before hedging</b>	<b>35.47</b>	30.00	18	<b>37.71</b>	23.05	64
Settlements on Commodity Derivative Contracts	(1.19)	(6.39)	(81)	(4.81)	(3.53)	36
Net Pipeline Transportation Margin	-	(0.25)	(100)	(0.01)	(0.12)	(92)
<b>Operating Netback, after hedging</b>	<b>34.28</b>	23.36	47	<b>32.89</b>	19.40	70

Spartan's Operating Netback before hedging averaged \$37.71 per BOE (\$32.89 per BOE after hedging) for the year ended December 31, 2022, up 64% from \$23.05 per BOE before hedging (\$19.40 per BOE after hedging) in the previous year. The acquisitions of Inception at the end of the first quarter of 2021 and Velvet in the third quarter of 2021 materially increased the oil weighting of Spartan's production resulting in higher operating and transportation expenses, while driving higher corporate average operating netbacks in conjunction with the significant increase in commodity prices in 2022. Spartan's average realized price, before financial instruments, increased 57% from \$34.95 per BOE in the year ended December 31, 2021 to \$54.90 per BOE in the year ended December 31, 2022.

Spartan's Operating Netback before hedging in the fourth quarter of 2022 of \$35.47 per BOE, increased by 18% from \$30.00 per BOE in the fourth quarter of 2021, reflecting strong benchmark pricing coupled with the 20% increase in crude oil production. Significantly lower hedging losses drove the increase in Operating Netback after hedging to 47% quarter-over-quarter, from \$23.36 per BOE in the fourth quarter of 2021 to \$34.28 in the fourth quarter of 2022.

#### GENERAL AND ADMINISTRATIVE EXPENSES

(CA\$ thousands, unless otherwise indicated)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Salaries and benefits	8,410	7,522	12	27,840	18,071	54
Other G&A expenses	3,595	4,092	(12)	15,267	10,749	42
Change in expected credit loss provision	-	38	(100)	590	249	137
Subtotal, before recoveries ("Gross G&A") <sup>(1)</sup>	12,005	11,652	3	43,697	29,069	50
Overhead recoveries	(4,552)	(2,525)	80	(15,162)	(6,023)	152
Capitalized G&A	(750)	(1,701)	(56)	(3,000)	(1,701)	76
G&A expenses ("Net G&A") <sup>(1)</sup>	6,703	7,426	(10)	25,535	21,345	20
Gross G&A (\$ per BOE)	1.75	1.75	-	1.64	1.67	(2)
Net G&A (\$ per BOE)	0.98	1.12	(13)	0.95	1.22	(22)

(1) The subtotal of "Gross G&A" before recoveries and the term "Net G&A" are provided in this table to supplement the discussion below. The terms do not have a standardized meaning under IFRS and may not be directly comparable to other issuers.

G&A expenses were \$6.7 million (\$0.98 per BOE) during the fourth quarter and \$25.5 million (\$0.95 per BOE) for the year ended December 31, 2022, decreasing from \$7.4 million (\$1.12 per BOE) and increasing from \$21.3 million (\$1.22 per BOE), respectively, in the corresponding periods of 2021. Costs to attract and retain top talent in a competitive labour market are reflected in the increase in salaries and benefits expenses in the current period, however other G&A expenses have decreased compared to the fourth quarter of 2021 which included certain non-recurring expenses associated with integration of the acquisitions.

Total G&A expenses have increased relative to 2021 due to additional staff, costs to attract and retain top talent, office space and information technology to support the Company's significant growth year-over-year, as well as higher regulatory and reporting costs following Spartan's uplisting to the TSX in September 2021.

G&A expenses are reported net of operating and capital overhead 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. Together, total overhead recoveries and capitalized G&A are \$18.2 million for the year ended December 31, 2022, compared to \$7.7 million in 2021. The increase is attributed to the significant increase in development capital expenditures in 2022 as well as higher operating overhead recoveries with growth of the Company's asset base.

## SHARE BASED COMPENSATION

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Stock options	678	623	9	2,975	2,917	2
Share awards	3,222	1,173	175	10,391	3,595	189
Capitalized share based compensation <sup>(1)</sup>	(371)	(255)	45	(1,037)	(255)	307
Share based compensation expense	3,529	1,541	129	12,329	6,257	97
\$ per BOE	0.51	0.23	122	0.46	0.36	28

(1) A portion of SBC expense is capitalized on the same basis as the Company's policy for capitalized G&A.

As part of the Company's long-term incentive ("LTI") plans, stock options and share awards may be granted to officers, directors, employees and consultants. During the year ended December 31, 2022, Spartan granted 2.4 million restricted share awards and 0.8 million stock options with an average exercise price of \$8.29 per share. During the previous year ended December 31, 2021, the Company granted an aggregate of 2.0 million restricted share awards and 1.2 million stock options with an average exercise price of \$4.29 per share. As at December 31, 2022, the aggregate of outstanding stock options and share awards represents 4.0% 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 \$3.5 million and \$12.3 million for the three months and year ended December 31, 2022, respectively, up from \$1.5 million and \$6.3 million in the corresponding periods of 2021. The increase in total SBC expense in 2022 reflects the increase in fair value of awards granted due to significant appreciation of Spartan's share price compared to 2021, higher staffing levels, the timing of new grants, as well as the higher weighting of new grants to share awards relative to stock options. The fair value of a share award is typically 2 to 3 times more than a stock option on the grant date.

## FINANCING

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Interest and fees on long-term debt	5,961	7,226	(18)	25,967	10,673	143
Interest income	(712)	-	-	(741)	(405)	83
Interest expense, net of interest income <sup>(1)</sup>	5,249	7,226	(27)	25,226	10,268	146
Financing cost of lease liabilities	667	799	(17)	2,862	2,914	(2)
Accretion of decommissioning obligations	971	748	30	3,515	2,317	52
Financing	6,887	8,773	(21)	31,603	15,499	104
Cash Financing Expenses (\$/BOE) <sup>(1)</sup>	0.76	1.08	(30)	0.94	0.59	59
Financing (\$/BOE)	1.00	1.31	(24)	1.18	0.89	33
Average long-term debt outstanding in period <sup>(2)</sup>	150,000	445,641	(66)	273,417	151,071	81

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

(2) Average of the actual daily balances of bank debt drawn during the respective periods, plus \$150.0 million of outstanding term debt.

Spartan used Free Funds Flow generated in 2022 to repay the Company's bank debt in full and to significantly reduce its Net Debt to \$138.4 million at December 31, 2022, down from \$458.3 million at December 31, 2021. The Company's year-end Net Debt includes the \$150.0 million principal amount of long-term debt outstanding on its second lien term facility, offset by positive working capital. Following repayment of its bank debt in the third quarter of 2022, Spartan began accumulating cash and had \$124.4 million of cash on hand at December 31, 2022.

Cash Financing Expenses decreased by 27% to \$5.2 million (\$0.76 per BOE) for the quarter ended December 31, 2022, compared to \$7.2 million (\$1.08 per BOE) in the same quarter of 2021. The decrease reflects significantly lower average debt levels, partly offset by higher borrowing costs. In addition, Spartan earned \$0.7 million of interest income on cash deposits during the fourth quarter of 2022 which helped to mitigate a portion of financing expenses on its term facility.

The Company's cash deposits, credit facility and term facility bear floating interest rates and Canadian benchmark interest rates have risen sharply in response to high inflation in 2022. Over the course of the year, the Bank of Canada increased its benchmark interest rate by a total of 400 basis points (see also, "Risks and Uncertainties – Interest Rate Risk"). Total Cash Financing Expenses were \$25.2 million (\$0.94 per BOE) in 2022 compared to \$10.3 million (\$0.59 per BOE) in 2021. In the previous year, borrowings were insignificant until the third quarter of 2021, at which time new credit facilities were established to finance the Velvet Acquisition. Additional information regarding the Company's long-term debt and credit facilities 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 \$45.5 million as at December 31, 2022 (\$54.8 million as at December 31, 2021). The financing cost of lease liabilities is relatively consistent at approximately \$0.7 million quarterly.

Financing expenses also include non-cash accretion of decommissioning obligations. Accretion has increased relative to the comparatives periods due to the 2021 Acquisitions as well as higher interest rates. Over the past twelve months, the yield on long-term Canadian benchmark bonds increased from 1.7% to 3.3% from December 31, 2021 to December 31, 2022 (see also, "Decommissioning Obligations").

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

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Depletion and depreciation of PP&E	55,891	47,230	18	194,712	94,496	106
Depreciation of ROU Assets	2,304	2,495	(8)	9,456	8,293	14
Depletion and depreciation	58,195	49,725	17	204,168	102,789	99
Expired mineral leases	5,369	-	-	6,961	97	nm
Total DD&I expense	63,564	49,725	28	211,129	102,886	105
Depletion and depreciation (\$ per BOE)	8.47	7.46	14	7.65	5.91	29
Total DD&I expense (\$ per BOE)	9.26	7.46	24	7.91	5.91	34

The Company reported depletion and depreciation ("D&D") expense of \$58.2 million (\$8.47 per BOE) for the fourth quarter of 2022, up 17% from \$49.7 million (\$7.46 per BOE) in the fourth quarter of 2021. The increase in D&D expense per BOE reflects higher costs to add reserves in the current business environment relative to the Company's historical acquisition costs in both the Deep Basin and Montney.

Total D&D expenses were \$204.2 million and \$102.8 million for the years ended December 31, 2022 and 2021, respectively. The increase in D&D expenses is primarily due to the material increase in the Company's property, plant and equipment ("PP&E") and production growth over the past year. On a per unit basis, the increase in D&D reflects the higher average cost per barrel for the oil-weighted Montney assets relative to the Deep Basin assets. Total DD&I

expenses for the year ended December 31, 2022, include \$7.0 million of costs associated with mineral leases that expired or are expected to expire (2021 – \$0.1 million).

Spartan assessed each of its cash generating units (“CGUs”) for indicators of potential impairment as at December 31, 2022 and at December 31, 2021, and concluded there are no indicators of impairment.

#### OTHER INCOME (EXPENSES)

(CA\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Gain on sale of assets	413	-	2,101	468
Gain on acquisition	-	729	-	127,854
Write down of other non-current assets	-	-	(7,500)	-
Transaction costs	43	71	(143)	(4,002)
Other income	15,473	816	20,310	2,801
Premium on flow-through shares	-	3,069	-	10,098
Change in fair value of convertible note	-	-	-	(5,648)
Foreign exchange gain	213	304	1,098	312
<b>Other income, net of other expenses</b>	<b>16,142</b>	<b>4,989</b>	<b>15,866</b>	<b>131,883</b>

The Company continuously seeks to optimize its asset base and may dispose of non-core properties from time to time. During the year ended December 31, 2022, Spartan received \$1.3 million of aggregate cash proceeds on minor property dispositions which resulted in a gain on sale of \$2.1 million primarily as a result of disposing of \$1.0 million of associated decommissioning liabilities.

During the previous year ended December 31, 2021, Spartan recognized an aggregate gain of \$127.9 million on the 2021 Acquisitions as the consideration paid was less than the estimated fair value of the net assets acquired as of the respective closing dates (see also, “2021 Acquisitions”). The Company incurred \$4.0 million in transaction costs in respect of the acquisitions completed in 2021. In 2022, the Company incurred approximately \$0.1 million of transaction costs related to the Bellatrix Corporate Acquisition.

In March 2022, Spartan recorded a write down of other non-current assets of \$7.5 million related to indemnification assets recognized in the purchase price allocation for the Inception Acquisition. Additional information regarding the write down is provided under the heading “Related Party Disclosures” in this MD&A.

Other income primarily includes:

- A gain of \$14.3 million recognized on completion and transfer of title of an infrastructure construction project during the fourth quarter of 2022. Pursuant to an agreement with its midstream partner in the Gold Creek area of Alberta, Spartan constructed infrastructure at a cost of \$15.2 million and received total consideration of \$29.5 million comprised of \$26.0 million of cash and the release of a \$3.5 million liability assumed through the Velvet Acquisition.
- A gain of \$0.6 million on the disposition of firm transportation capacity and related obligations on the Spearhead and Flanagan South pipelines during the first quarter of 2022. These contracts were assumed through the Velvet Acquisition and were not integral to Spartan’s core business operations. Pursuant to the assignment agreement, Spartan significantly reduced its future contractual commitments related to these agreements (see also, “Commitments and Contingencies”).
- Funding of \$5.3 million earned through the Alberta provincial government Site Rehabilitation Program (“SRP”) for certain abandonment and reclamation projects completed during 2022, which increased from \$2.3 million of SRP funding earned in 2021 (see also, “Decommissioning Obligations”).



In the previous year, Spartan received a premium of \$10.1 million related to a private placement of flow-through shares. The total premium was recognized in net income in proportion to qualifying expenditures incurred each quarter, which resulted in \$3.1 million and \$10.1 million of income during the fourth quarter and year ended December 31, 2021, respectively.

The convertible promissory note issued as part of consideration for the Inception Acquisition (the “**Convertible Note**”) was settled through conversion into common shares on September 29, 2021. The fair value of the convertible promissory note increased by \$5.6 million from issuance on March 18, 2021 to conversion on September 29, 2021, resulting in a \$5.6 million loss in the previous year.

## INCOME TAXES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Current income tax	-	-	-	-
Deferred income tax expense	47,250	24,800	28,939	22,307
<b>Effective tax rate</b>	<b>23.6%</b>	16.2%	<b>4.1%</b>	6.3%

The Company reported a deferred income tax expense of \$47.3 million during the fourth quarter and \$28.9 million for the year ended December 31, 2022. In the corresponding periods of 2021, deferred income tax expense was \$24.8 million and \$22.3 million, respectively.

Spartan’s effective tax rate of 4.1% for the year ended December 31, 2022, differs from the combined federal and Alberta provincial statutory rate of 23% primarily due to the tax benefit of the Bellatrix Corporate Acquisition which closed on August 9, 2022, pursuant to which Spartan assumed approximately \$625 million of non-capital loss tax pools. Acquisition of the tax pools resulted in recognition of a deferred tax asset of \$143.9 million, of which \$137.9 million was recognized as a deferred tax recovery in net income based on the difference in total tax benefit net of the \$6.0 million cash purchase price for the acquisition.

In the comparative periods of 2021, the effective tax rate is less than the statutory tax rate primarily due to gains on acquisitions which are not taxable as well as the recognition of a deferred tax asset that was not initially recognized at the time of closing the January 2021 Acquisition (as defined and described in note 6 of the Annual Financial Statements). This unrecognized tax asset was subsequently recognized by Spartan in proportion to the estimated amount of taxable income generated in each quarter of 2021, which reduced deferred income tax expenses reported in the comparative quarter and year ended December 31, 2021 by \$12.9 million and \$41.8 million, respectively. 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.

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. As at December 31, 2022, Spartan has a deferred income tax asset of \$120.0 million, down from \$142.9 million at December 31, 2021, reflecting taxable income generated in the year partly offset by the deferred tax asset recognized through the Bellatrix Corporate Acquisition.

As at December 31, 2022, total available tax pools are estimated to be approximately \$2.1 billion as summarized in the table below.

<i>(CA\$ millions, unless otherwise indicated)</i>	Rate <sup>(1)</sup>	<b>December 31, 2022</b>	December 31, 2021
Canadian oil and gas property expenses (COGPE)	10%	<b>158.9</b>	169.0
Canadian development expenses (CDE)	30%	<b>457.0</b>	391.0
Canadian exploration expenses (CEE)	100%	-	90.3
Undepreciated capital cost (UCC) <sup>(2)</sup>	25%	<b>185.9</b>	185.3
Share issue costs (SIC)	5 years	<b>10.3</b>	13.5
Scientific research & experimental development (SR&ED)	100%	-	28.0
Non-capital losses (NCL) <sup>(3)</sup>	100%	<b>1,246.0</b>	929.1
<b>Total available tax pools (estimate) <sup>(4)</sup></b>		<b>2,058.1</b>	1,806.2

(1) The deduction 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 2035 to 2041.

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

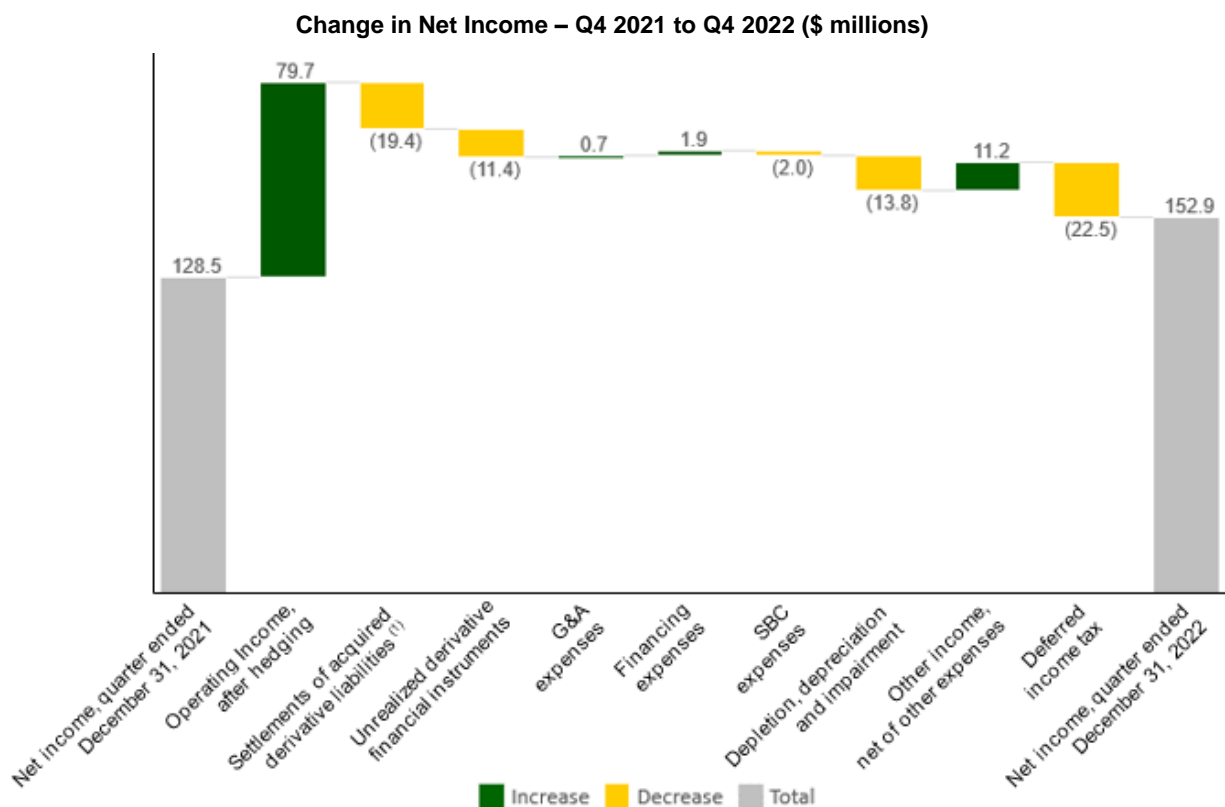
## NET INCOME AND COMPREHENSIVE INCOME

(CA\$ thousands, unless otherwise indicated)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Revenue	321,884	267,005	21	1,315,260	552,200	138
Expenses	(158,994)	(136,269)	17	(590,184)	(299,199)	97
Income before derivatives, other items and taxes <sup>(1)</sup>	162,890	130,736	25	725,076	253,001	187
Gain (loss) on derivative financial instruments	21,137	17,530	21	(30,917)	(28,357)	9
Other income, net of other expenses <sup>(2)</sup>	16,142	4,989	224	15,866	131,883	(88)
Income before income taxes	200,169	153,255	31	710,025	356,527	99
Deferred income tax expense	47,250	24,800	91	28,939	22,307	30
<b>Net income and comprehensive income</b>	<b>152,919</b>	<b>128,455</b>	<b>19</b>	<b>681,086</b>	<b>334,220</b>	<b>104</b>
WA Shares outstanding – basic (000s)	160,807	153,128	5	156,136	115,555	35
WA Shares outstanding – diluted (000s)	175,853	169,091	4	175,483	133,458	31
Net income \$ per share – basic	0.95	0.84	13	4.36	2.89	51
Net income \$ per share – diluted	0.87	0.76	14	3.88	2.50	55

(1) The subtotal “income before derivatives, 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.

The chart below summarizes the components of the change in net income from the fourth quarter of 2021 to the fourth quarter of 2022, using the change in Operating Income after hedging as the starting point.

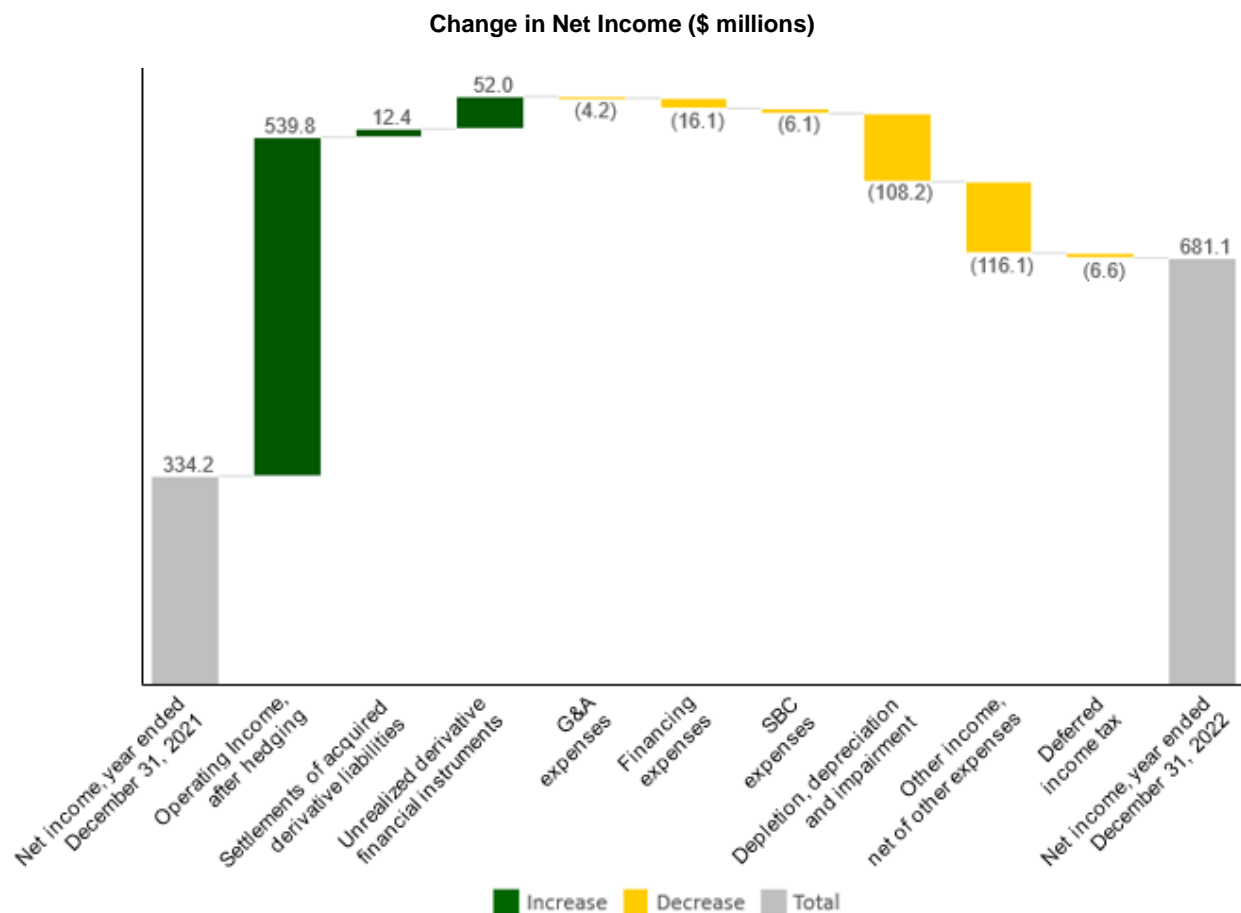


- (1) Settlements of acquired derivative liabilities do not affect the Company's net income because the acquisition date fair value of the derivative liabilities assumed through the Velvet Acquisition was included in the purchase price. The settlements are a cash outflow to Spartan and reduce the Company's reported Operating Income after hedging losses, however they are added back for purposes of determining the change in net income in the chart above. In the chart above, the add back is presented as a decrease of \$19.4 million because settlements of acquired derivative liabilities were less in the fourth quarter of 2022 compared to the fourth quarter of 2021.

Spartan reported net income of \$152.9 million (\$0.87 per share, diluted) for the fourth quarter of 2022, up 19% from \$128.5 million (\$0.76 per share, diluted) in the same quarter of 2021. Stronger oil and natural gas prices in combination with increased in oil production, drove revenue 21% higher and contributed to the 25% increase in Spartan's income before derivatives, other items and taxes compared to the fourth quarter of 2021.

For the year ended December 31, 2022, the Company generated net income of \$681.1 million (\$3.88 per share, diluted), up 104% from \$334.2 million (\$2.50 per share, diluted) in 2021. The impact of higher production coupled with strong commodity prices is highlighted by the 138% increase in revenue year-over-year which contributed to the material income in the Company's income before derivatives, other items and taxes which accumulated to \$725.1 million in 2022 compared to \$253.0 million in 2021. Net income for the previous year also included an aggregate of \$127.9 million of gains recognized on the 2021 Acquisitions.

The chart below summarizes the components of the change in net income for the years ended December 31, 2021 to December 31, 2022, using the change in Operating Income, after hedging as the starting point.



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

The tables in this section outline the components of the Company's cash provided by operating activities 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 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".

### Fourth Quarter of 2022 compared to Fourth Quarter of 2021 <sup>(1)</sup>

<i>Amounts are CA\$ millions (\$MM), except as noted</i>	Q4/22	Q4/21	Change <sup>(1)</sup>		Q4/22	Q4/21	
	\$MM	\$MM	\$MM	%	\$/BOE	\$/BOE	%
Oil and gas sales, net of royalties	319.2	263.7	55.5	21	46.48	39.57	17
Processing and other revenue	2.7	2.4	0.3	12	0.39	0.36	8
Operating expenses	(59.3)	(50.1)	(9.2)	18	(8.64)	(7.52)	15
Transportation expenses	(19.0)	(16.1)	(2.9)	18	(2.76)	(2.41)	15
<b>Operating Income / Netback, before hedging <sup>(2)</sup></b>	<b>243.6</b>	<b>199.9</b>	<b>43.7</b>	<b>22</b>	<b>35.47</b>	<b>30.00</b>	<b>18</b>
Settlements on Commodity Derivative Contracts <sup>(2)(3)</sup>	(8.2)	(42.6)	34.3	(81)	(1.19)	(6.39)	(81)
Net Pipeline Transportation Margin <sup>(2)</sup>	-	(1.7)	1.7	(100)	-	(0.25)	(100)
<b>Operating Income / Netback, after hedging <sup>(2)</sup></b>	<b>235.4</b>	<b>155.7</b>	<b>79.7</b>	<b>51</b>	<b>34.28</b>	<b>23.36</b>	<b>47</b>
G&A expenses	(6.7)	(7.4)	0.7	(10)	(0.98)	(1.12)	(13)
Interest expense, net of interest income	(5.2)	(7.2)	2.0	(27)	(0.76)	(1.08)	(30)
Financing cost of lease liabilities	(0.7)	(0.8)	0.1	(17)	(0.10)	(0.12)	(17)
Realized foreign exchange gain (loss)	(0.1)	0.3	(0.3)	(124)	(0.01)	0.04	(125)
Other income	14.3	-	14.3	-	2.08	-	-
Settlement of decommissioning obligations	(1.9)	(1.1)	(0.9)	82	(0.28)	(0.16)	75
Transaction costs	0.0	0.1	(0.0)	(39)	0.01	0.01	-
<b>Funds from Operations <sup>(2)</sup></b>	<b>235.1</b>	<b>139.5</b>	<b>95.7</b>	<b>69</b>	<b>34.24</b>	<b>20.93</b>	<b>64</b>
Change in non-cash working capital	(34.8)	8.5	(43.3)	(509)	(5.06)	1.28	(495)
<b>Cash provided by operating activities</b>	<b>200.4</b>	<b>148.0</b>	<b>52.4</b>	<b>35</b>	<b>29.18</b>	<b>22.21</b>	<b>31</b>
<b>Funds from Operations <sup>(2)</sup></b>	<b>235.1</b>	<b>139.5</b>	<b>95.7</b>	<b>69</b>	<b>34.24</b>	<b>20.93</b>	<b>64</b>
Add back: transaction costs	(0.0)	(0.1)	0.0	(39)	(0.01)	(0.01)	-
Deduct: lease payments	(2.2)	(2.4)	0.1	(5)	(0.32)	(0.36)	(11)
<b>Adjusted Funds Flow <sup>(2)</sup></b>	<b>232.8</b>	<b>137.0</b>	<b>95.8</b>	<b>70</b>	<b>33.91</b>	<b>20.56</b>	<b>65</b>
<b>Adjusted Funds Flow per share <sup>(2)</sup></b>							
Basic (\$ per common share)	1.45	0.89	0.56	63			
Diluted (\$ per common share)	1.31	0.80	0.51	64			

(1) Table may not add due to rounding into millions of dollars. Changes are calculated based on unrounded amounts.

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

(3) Includes the realized loss on derivative financial instruments for the three months ended December 31, 2022 and 2021, plus settlements of \$5.8 million and \$25.2 million, respectively, of derivative liabilities acquired in connection with the Velvet Acquisition.

Spartan generated \$235.1 million of Funds from Operations for the three months ended December 31, 2022, up \$95.7 million or 69% compared to the fourth quarter of 2021. The increase in Funds from Operations is driven by higher Operating Income which reflects the strength of commodity prices quarter over quarter compounded by increased crude oil production, lower hedging losses and other income recognized on the construction and conveyance of an infrastructure asset. Cash expenditures to settle decommissioning obligations of \$1.9 million in the fourth quarter of 2022 increased slightly compared to \$1.1 million incurred in the prior year quarter. Spartan settled an additional \$1.2 million of decommissioning obligations with government funding through the Alberta SRP during the fourth quarter which does not impact the Company's cash flow (\$0.8 million settled in the fourth quarter of 2021).

Adjusted Funds Flow was \$232.8 million for the fourth quarter of 2022 after deducting \$2.2 million of lease payments from Funds from Operations, resulting in Adjusted Funds Flow of \$1.31 per share on a diluted basis.

Spartan's cash provided by operating activities was \$200.4 million for the three months ended December 31, 2022, which was less than Funds from Operations due to the net change in non-cash working capital during the quarter. The change in non-cash working capital varies 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. In the fourth quarter of 2022, the net decrease in non-cash operating working capital of \$34.8 million is primarily due to the increase in accrued revenue at December 31, 2022 compared to September 30, 2022. By comparison, the non-cash working capital deficit related to operating activities increased by \$8.5 million in the fourth quarter of 2021 as the increase in accounts payable and accrued liabilities exceeded the change in accounts receivable and other current assets related to operating activities.

**Year Ended December 31, 2022 compared to Year Ended December 31, 2021 <sup>(1)</sup>**

<i>Amounts are CA\$ millions (\$MM), except as noted</i>	2022		2021		Change <sup>(1)</sup>		2022		2021	
	\$MM	\$MM	\$MM	%	\$/BOE	\$/BOE	%			
Oil and gas sales, net of royalties	1,304.6	541.5	763.1	141	48.91	31.12	57			
Processing and other revenue	9.3	9.3	-	-	0.35	0.54	(35)			
Operating expenses	(233.3)	(115.0)	(118.2)	103	(8.75)	(6.61)	32			
Transportation expenses	(74.6)	(34.7)	(39.9)	115	(2.80)	(2.00)	40			
<b>Operating Income / Netback, before hedging <sup>(2)</sup></b>	<b>1,006.0</b>	<b>401.1</b>	<b>605.0</b>	<b>151</b>	<b>37.71</b>	<b>23.05</b>	<b>64</b>			
Settlements on Commodity Derivative Contracts <sup>(2)(3)</sup>	(128.3)	(61.4)	(66.9)	109	(4.81)	(3.53)	36			
Net pipeline transportation margin <sup>(2)</sup>	(0.4)	(2.1)	1.7	(83)	(0.01)	(0.12)	(92)			
<b>Operating Income / Netback, after hedging <sup>(2)</sup></b>	<b>877.4</b>	<b>337.6</b>	<b>539.8</b>	<b>160</b>	<b>32.89</b>	<b>19.40</b>	<b>70</b>			
G&A expenses	(25.5)	(21.3)	(4.2)	20	(0.95)	(1.22)	(22)			
Interest expense, net of interest income	(25.2)	(10.3)	(15.0)	146	(0.94)	(0.59)	59			
Financing cost of lease liabilities <sup>(4)</sup>	(2.9)	(2.9)	0.1	(2)	(0.11)	(0.17)	(35)			
Realized foreign exchange gain	0.9	0.3	0.6	221	0.03	0.02	50			
Other income	15.1	0.5	14.5	nm	0.56	0.03	nm			
Settlement of decommissioning obligations	(5.0)	(2.1)	(2.9)	143	(0.19)	(0.12)	58			
Transaction costs	(0.1)	(4.0)	3.9	(96)	-	(0.23)	(100)			
<b>Funds from Operations <sup>(2)</sup></b>	<b>834.6</b>	<b>297.8</b>	<b>536.8</b>	<b>180</b>	<b>31.29</b>	<b>17.12</b>	<b>83</b>			
Change in non-cash working capital	(39.2)	(18.1)	(21.2)	117	(1.47)	(1.04)	41			
<b>Cash provided by operating activities</b>	<b>795.4</b>	<b>279.8</b>	<b>515.6</b>	<b>184</b>	<b>29.82</b>	<b>16.08</b>	<b>85</b>			
<b>Funds from Operations <sup>(2)</sup></b>	<b>834.6</b>	<b>297.8</b>	<b>536.8</b>	<b>180</b>	<b>31.29</b>	<b>17.12</b>	<b>83</b>			
Add back: transaction costs	0.1	4.0	(3.9)	(96)	-	0.23	(100)			
Deduct: lease payments <sup>(4)</sup>	(9.1)	(7.9)	(1.2)	16	(0.34)	(0.45)	(24)			
<b>Adjusted Funds Flow <sup>(2)</sup></b>	<b>825.7</b>	<b>294.0</b>	<b>531.7</b>	<b>181</b>	<b>30.95</b>	<b>16.90</b>	<b>83</b>			
<b>Adjusted Funds Flow per share <sup>(2)</sup></b>										
Basic (\$ per common share)	5.29	2.54	2.75	108						
Diluted (\$ per common share)	4.66	2.18	2.48	114						

(1) Table may not add due to rounding into millions of dollars. Changes are calculated based on unrounded amounts.

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

(3) Includes the realized loss on derivative financial instruments for the year ended December 31, 2022 and 2021, plus settlement of \$45.8 million and \$33.4 million, respectively, of derivative liabilities acquired with the Velvet Acquisition.

Spartan's Adjusted Funds Flow of \$825.7 million for the year ended December 31, 2022 increased by 181% from \$294.0 million in 2021. The increase is driven by higher Operating Income and other income recognized on the construction and conveyance of an infrastructure asset, partly offset by higher realized hedging losses, incremental G&A and interest expenses will a full year of operations following the acquisitions completed throughout 2021.

## **CASH USED IN INVESTING ACTIVITIES AND CAPITAL EXPENDITURES**

Spartan completed several acquisitions during 2021 which added a second core development area in the Montney and built on the Deep Basin assets through smaller tuck-in acquisitions. The Company's focus has since shifted to organic growth by investing in the development of its asset base.

The following table summarizes Spartan's Capital Expenditures during the fourth quarter and year ended December 31, 2022 and 2021. The term 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 \$134.0 million and \$442.3 million for the fourth quarter and year ended December 31, 2022, respectively (refer to reconciliation provided under the heading "Non-GAAP Measures and Ratios").

<b>CAPITAL EXPENDITURES</b> (CA\$ thousands)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
Land and seismic	11,927	10,434	14	17,255	18,140	(5)
Drilling and completion	121,831	86,780	40	330,555	142,372	132
Facilities, pipeline and well equipment	23,003	13,683	68	75,999	20,690	267
Production optimization and other assets	1,639	3,084	(47)	7,348	6,072	21
Capitalized G&A	750	1,701	(56)	3,000	1,701	76
<b>Capital Expenditures before A&amp;D <sup>(1)</sup></b>	<b>159,150</b>	115,682	38	<b>434,157</b>	188,975	130
Acquisitions <sup>(2)</sup>	560	253	121	6,463	423,972	(98)
Dispositions	(329)	-	-	(1,280)	(453)	183
<b>Capital Expenditures <sup>(1)(2)</sup></b>	<b>159,381</b>	115,935	37	<b>439,340</b>	612,494	(28)

(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 on page 33.

Spartan's Capital Expenditures before A&D were \$434.2 million during the year ended December 31, 2022, up from \$189.0 million in the previous year. While the majority of capital expenditures were incurred to drill, complete and equip new wells in the Montney and Deep Basin, the Company also invested in its facilities and pipeline infrastructure to expand offload capacity in its core areas. Spartan also completed numerous production optimization projects and expanded its opportunity set by acquiring Crown land and seismic in its core areas. The Company's exploration and development capital expenditures were fully funded by cash provided by operating activities during the current and prior year.

Capital Expenditures before A&D were \$159.2 million for the three months ended December 31, 2022. During the fourth quarter, Spartan drilled the remaining 3.0 net wells of a 4.0 net well pad that was completed and brought on production in East Gold Creek. Additionally, a second pad in East Gold Creek of 5 (5.0 net) wells was completed and brought on production and a 3 (2.3 net) well pad in West Gold Creek was drilled and completed, coming on production in January 2023. In the Deep Basin, Spartan drilled 11 (10.1 net) wells, of which 7 (6.1 net) were drilled in the Spirit River formation and 4 (4.0 net) wells drilled in the Cardium. A total of 9 (8.6 net) Deep Basin wells were completed in the fourth quarter, including 2.0 net wells drilled in the third quarter, and 8.5 net wells were brought on production, inclusive of 2.9 net wells drilled in the third quarter of 2022.

For the year ended December 31, 2022, in the Montney Spartan drilled 24.2 net wells, completed 26.2 net wells and brought on production 23.9 net wells, as compared to 10.0 net wells drilled and 7.0 net wells completed and brought on production in the prior year. In the Deep Basin Spartan drilled and completed 21.0 net wells, with 20.0 net wells

brought on production for the year ended December 31, 2022. Comparatively, in the year ended December 31, 2021, Spartan drilled 22.3 net wells, completed 20.9 net wells and brought on production 21.9 net wells in the Deep Basin.

<b>DRILLING ACTIVITY</b>	Three months ended December 31		Year ended December 31	
	<b>2022</b>	2021	<b>2022</b>	2021
<i>Number of Net Wells</i>				
Drilled <sup>(1)</sup>	<b>16.4</b>	16.4	<b>45.2</b>	32.3
Completed	<b>19.9</b>	19.4	<b>47.2</b>	27.9
On production	<b>17.5</b>	15.9	<b>43.9</b>	28.9
Service/disposal <sup>(1)</sup>	-	1.0	<b>2.0</b>	1.0

(1) Wells are counted as drilled based on the rig release date.

#### *Bellatrix Corporate Acquisition*

On August 9, 2022, Spartan closed the corporate acquisition of Bellatrix through a court supervised process under the *Companies' Creditors Arrangement Act* (the "**CCAA**") for a cash purchase price of \$6.0 million. Pursuant to the acquisition, Spartan acquired 1,000 new common shares issued by Bellatrix and all other existing equity securities of Bellatrix were cancelled for no consideration, resulting in Spartan holding 100% of the aggregate issued and outstanding equity securities of Bellatrix. Spartan previously acquired substantially all of Bellatrix's assets for total consideration of \$108.8 million in June 2020, which established the Company's core operating area in the Deep Basin. Following the Bellatrix Corporate Acquisition and reorganization under the CCAA, Bellatrix did not have any significant assets or liabilities remaining except for approximately \$625 million of non-capital loss tax pools which were determined to be available for use by Spartan.

The Bellatrix Corporate Acquisition does not meet the definition of a business combination and has been accounted for under IFRS 3 as an asset acquisition. Spartan recorded a deferred tax asset of \$143.9 million in recognition of the tax pools acquired, with a corresponding deferred income tax recovery of \$137.9 million in excess of the \$6.0 million consideration paid (see also, "Income Taxes").

#### *Other acquisitions and dispositions*

The Company continuously seeks to optimize its asset base through strategic tuck-in acquisitions and non-core property dispositions. During the year ended December 31, 2022, the Company completed minor property acquisitions, primarily for undeveloped land, for cash consideration of \$0.7 million net of \$0.2 million of proceeds from favorable closing adjustments on property acquisitions completed in the previous year. The Company also received \$1.3 million of aggregate cash proceeds on minor property dispositions which resulted in a gain on sale of assets of \$2.1 million primarily as a result of disposing of associated decommissioning liabilities.

#### *2021 Acquisitions*

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.



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)

<b>2021 ACQUISITIONS</b>	<b>Inception</b>	<b>Simonette</b>	<b>Velvet</b>	<b>Ferrier</b>	<b>Other <sup>(4)</sup></b>	<b>Total</b>
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
<b>Total consideration</b>	<b>117,382</b>	<b>20,453</b>	<b>369,110</b>	<b>37,500</b>	<b>25,314</b>	<b>569,759</b>
Net working capital <sup>(2)</sup>	(3,620)	-	(33,137)	1,659	129	(34,969)
Indebtedness repaid at closing	-	-	(352,488)	-	-	(352,488)
<b>Net Debt assumed or repaid <sup>(2)</sup></b>	<b>(3,620)</b>	<b>-</b>	<b>(385,625)</b>	<b>1,659</b>	<b>129</b>	<b>(387,457)</b>
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 <sup>(1)</sup>	(1,800)	(18,177)	(10,370)	(341)	(3,104)	(33,792)
Deferred income tax asset <sup>(4)</sup>	33,899	-	134,459	(5,136)	8,447	171,669
<b>Fair value of net assets acquired</b>	<b>153,118</b>	<b>20,453</b>	<b>458,114</b>	<b>40,614</b>	<b>25,314</b>	<b>697,613</b>
<b>Gain on acquisition</b>	<b>(35,736)</b>	<b>-</b>	<b>(89,004)</b>	<b>(3,114)</b>	<b>-</b>	<b>(127,854)</b>
<b>Total Consideration including Net Debt <sup>(3)</sup></b>	<b>121,002</b>	<b>20,453</b>	<b>754,735</b>	<b>35,841</b>	<b>25,185</b>	<b>957,216</b>
Acquisition closing date	March 18	March 18	August 31	September 3	Various	
Average production acquired (BOE/d) <sup>(5)</sup>	3,700	4,425	21,300	1,850	500	
% Oil and NGLs <sup>(5)</sup>	54%	18%	51%	30%	45%	

(1) 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.

(2) Net working capital includes cash acquired on corporate acquisitions of \$24.6 million in aggregate. For purposes of this table only, Net Debt (and the components thereof) is presented as a negative number 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.

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

(4) Among the various other acquisitions completed in 2021, this column includes the "January 2021 Acquisition" whereby the Company acquired all of the issued and outstanding shares of two private companies for total consideration of \$8.2 million on January 14, 2021. The January 2021 Acquisition was accounted for as an asset acquisition under IFRS 3, with acquired assets consisting of primarily non-producing oil and gas properties in the Alberta Montney and tax pools. In addition to the recognized deferred tax asset of \$8.5 million, Spartan also had an unrecognized deferred tax asset of \$41.8 million on initial recognition of the January 2021 Acquisition which was subsequently recognized in full through the deferred income tax recovery in 2021 (see also, "Income Taxes").

(5) Based on average production volumes at the time of closing of the respective acquisitions.

## DECOMMISSIONING OBLIGATIONS

As at December 31, 2022, the Company's total decommissioning obligations are estimated to be \$128.6 million, of which \$5.8 million are expected to be settled over the next twelve months. During the year ended December 31, 2022, the total carrying amount of decommissioning obligations decreased by \$43.2 million from \$171.8 million at December 31, 2021. The majority of the change is attributed to rising interest rates which reduced the present value of Spartan's decommissioning obligations by \$44.9 million during the period. New obligations incurred by drilling in the year ended December 31, 2022 were more than offset by settlements and minor property dispositions.

Spartan is committed to environmental stewardship and has a proactive program to address its decommissioning obligations. The Company seeks to maintain an industry leading Liability Management Rating (“LMR”) and to obtain a leading Licensee Capability Assessment (“LCA”) rating when the industry transitions to the LCA system. The Company spent \$5.0 million on decommissioning during the year ended December 31, 2022 and settled an additional \$5.3 million of liabilities through abandonment and reclamation projects funded through the Alberta SRP. Recoveries under the SRP are recognized in the financial statements in the period in which the work is completed.

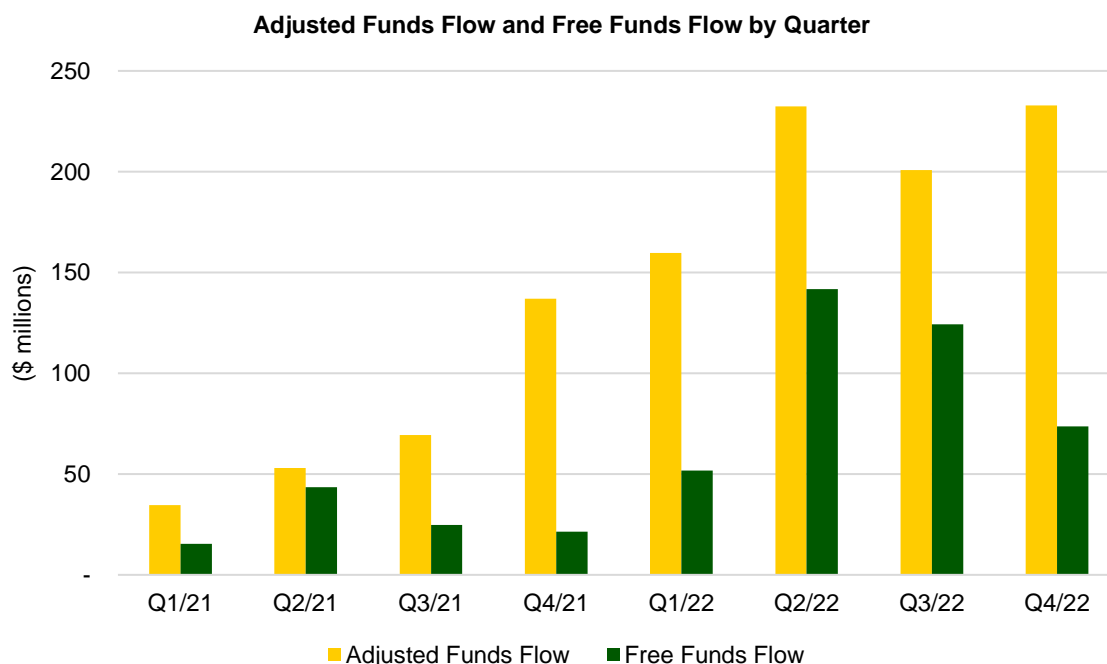
### **CAPITAL RESOURCES AND LIQUIDITY**

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, return capital to shareholders through payment of dividends, and to fund 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 the year ended December 31, 2022, the Company's primary sources of funds were \$825.7 million of Adjusted Funds Flow, supplemented by working capital and short-term advances of bank debt under the revolving credit facility. Spartan also received \$21.4 million of cash proceeds on the exercise of stock options and warrants during 2022.

Cash provided by operating activities of \$795.4 million for the year ended December 31, 2022 was used to fund the Company's exploration and development capital expenditures of \$434.2 million, the Bellatrix Corporate Acquisition of \$6.0 million, lease principal payments of \$9.1 million, to fully repay its bank debt down from \$245.6 million outstanding at the beginning of the year, and to fund a special cash dividend of \$85.7 million (\$0.50 per common share) declared in the fourth quarter of 2022 and payable in January 2023.

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”). 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. The following chart summarizes Spartan's quarterly Adjusted Funds Flow and Free Funds Flow during 2021 and 2022:



Spartan's Free Funds Flow was \$391.5 million for the year ended December 31, 2022, of which \$73.7 million was generated in the fourth quarter. By comparison, Free Funds Flow was \$21.3 million and \$105.0 million in the fourth quarter and year ended December 31, 2021. The amount of Free Funds Flow reported each quarter reflects the seasonality of the Company's oil and gas operations, market fluctuations including volatility of commodity prices, and the use of Adjusted Funds Flow to finance higher capital expenditures during the winter drilling seasons.

As at December 31, 2022 and 2021, the Company's capital structure is comprised of working capital, long-term debt 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 71% year-over-year to \$2.836 billion as of December 31, 2022, of which the market value of common shares represented 90% of the Company's total capitalization.

<b>CAPITALIZATION</b>	<b>December 31, 2022</b>	December 31, 2021	Change %
Common shares outstanding (000s)	<b>171,410</b>	153,214	12
Share price (last price traded in the year)	<b>\$14.95</b>	\$5.97	150
<b>Market capitalization of common shares <sup>(1)(2)</sup></b>	<b>2,562,580</b>	914,688	180
Current assets	<b>(309,008)</b>	(110,158)	181
Current liabilities	<b>278,627</b>	243,574	14
Working capital (surplus) deficit	<b>(30,381)</b>	133,416	(123)
Long-term debt	<b>145,180</b>	387,564	(63)
Long-term portion of:			
Derivative financial instrument liabilities	-	11,806	(100)
Lease liabilities	<b>36,045</b>	44,590	(19)
Decommissioning obligations	<b>122,802</b>	168,231	(27)
<b>Total capitalization <sup>(2)</sup></b>	<b>2,836,226</b>	1,660,295	71

(1) The carrying value of Spartan's shareholders equity was \$1.517 billion at December 31, 2022 and \$886.6 million at December 31, 2021.

(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 is used.

The Company had a working capital surplus of \$30.4 million at December 31, 2022, compared to a working capital deficit of \$133.4 million at December 31, 2021. Excluding derivative financial instruments and lease liabilities, Spartan's Adjusted Working Capital surplus is \$6.8 million at December 31, 2022, compared to an Adjusted Working Capital deficit of \$70.7 million at December 31, 2021. The working capital surplus includes \$124.4 million of cash on hand at December 31, 2022 as bank debt was fully repaid during the year. The decrease in working capital deficit compared to the previous year also reflects higher revenue resulting in higher accounts receivable and a change in the fair value of outstanding derivative financial instruments to a net asset from a net liability, partly offset by the dividends payable at year-end.

Depending on commodity prices, the capital-intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment. The Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at December 31, 2022, the Company's \$450.0 million revolving credit facility is undrawn.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Annualized AFF Ratio", which is a non-GAAP financial ratio calculated as the ratio of the Company's "Net Debt" to "Annualized Adjusted Funds Flow". As at December 31, 2022, Spartan had Net Debt of \$138.4 million, which is approximately 0.2 times the Company's Annualized Adjusted Funds Flow for the fourth quarter of 2022, down compared to 0.8 times at December 31, 2021. The components of the Company's Adjusted Working Capital (surplus) deficit, Net Debt, and the calculation of the Net Debt to Annualized AFF Ratio are provided in the following table:

<b>(Assets) Liabilities</b> (CA\$ thousands, except as noted)	<b>December 31, 2022</b>	December 31, 2021
Cash	<b>(124,399)</b>	(1,245)
Accounts receivable	<b>(140,413)</b>	(96,741)
Prepaid expenses and deposits	<b>(8,011)</b>	(5,104)
Other current assets	<b>(2,340)</b>	(6,800)
Accounts payable and accrued liabilities	<b>176,855</b>	176,971
Dividends payable	<b>85,704</b>	-
Current portion of decommissioning obligations	<b>5,800</b>	3,614
<b>Adjusted Working Capital (surplus) deficit</b>	<b>(6,804)</b>	70,695
Long-term debt	<b>145,180</b>	387,564
<b>Net Debt</b>	<b>138,376</b>	458,259
Annualized Adjusted Funds Flow <sup>(1)(2)</sup>	<b>874,096</b>	548,104
<b>Net Debt to Annualized AFF Ratio <sup>(1)(2)</sup></b>	<b>0.2 x</b>	0.8 x

(1) The calculation of Annualized Adjusted Funds Flow has been normalized for the gain of \$14.3 million recognized on completion of an infrastructure construction project during the fourth quarter of 2022. Refer to additional information under the heading "Results of Operations – Other Income (Expenses)" of this MD&A.

(2) In the 2021 Annual Financial Statements, Spartan previously referred to this measure as the "Net Debt to Trailing AFF Ratio" based on "Trailing Adjusted Funds Flow". The name has been changed to "Net Debt to Annualized AFF Ratio" based on "Annualized Adjusted Funds Flow", however there is no change to the calculation methodology and the resulting ratio is unchanged.

Spartan is well positioned to fund its financial liabilities and to execute on its business strategy. The Company's exploration and development capital expenditure program for 2023 is expected to be fully funded by a combination of cash on hand and cash provided by operating activities. With the Company's bank debt fully repaid and cash balance building, Spartan declared a special dividend of \$0.50 per common share payable on January 16, 2023, to eligible shareholders of record as of December 15, 2022. Subsequent to December 31, 2022 and as of the date hereof, Spartan has paid \$75.5 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance continues to be accrued as a financial liability.

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at December 31, 2022:

<i>(CA\$ thousands)</i>	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	176,855	-	-	-	176,855
Dividends payable	85,704	-	-	-	85,704
Derivative financial instrument liabilities	818	-	-	-	818
Credit Facility <sup>(1)</sup>	1,271	-	-	-	1,271
Term Facility <sup>(2)</sup>	18,300	50,297	145,144	-	213,741
Undiscounted lease liabilities <sup>(3)</sup>	11,880	22,926	14,051	3,152	52,009
<b>Total</b>	<b>294,828</b>	<b>73,223</b>	<b>159,195</b>	<b>3,152</b>	<b>530,398</b>

(1) The Credit Facility is undrawn as at December 31, 2022. The table above includes estimated standby charges to be incurred on the \$450.0 million authorized borrowing base to May 30, 2023, being the end of the current revolving period.

(2) Includes principal and estimated interest and fee payments on the Term Facility. 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. Anytime after August 31, 2024, Spartan may repay the Term Facility without penalty. Early repayment of the Term Facility on September 1, 2024 would result in a reduction of future interest and fee payments by approximately \$33 million.

(3) As at December 31, 2022, the present value of the Company's total lease liability is \$45.5 million, of which \$9.5 million is expected to be settled in the next twelve months.

## LONG-TERM DEBT

As at December 31, 2022, total long-term debt is comprised of bank debt drawn under the revolving credit facility and indebtedness under the second lien term facility. The balance of long-term debt is presented net of unamortized issue costs and prepaid interest on bankers' acceptances.

<i>(CA\$ thousands)</i>	December 31, 2022	December 31, 2021	Change
Bank debt	-	245,550	(245,550)
Second lien term facility	150,000	150,000	-
Unamortized issue costs and prepaid interest	(4,820)	(7,986)	3,166
<b>Long-term debt</b>	<b>145,180</b>	<b>387,564</b>	<b>(242,384)</b>

### Credit Facility

The Company has a senior secured revolving credit facility with a syndicate of financial institutions (the "**Credit Facility**"). The authorized borrowing base available under the Credit Facility is \$450.0 million, comprised of a \$50.0 million operating facility and a \$400.0 million syndicated facility. The Credit Facility has a revolving period of 364 days, maturing May 30, 2023, and may be extended annually at Spartan's option subject to approval of the lenders, with a term-out to May 30, 2024 if not renewed. As at December 31, 2022, the Credit Facility is undrawn.

The borrowing base is subject to semi-annual reviews occurring approximately in May and November of each year and may also be subject to redetermination upon, among other things, the LMR of the Company falling below 2.0 or disposing of material properties. 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.

During the second quarter of 2022, the Company's lending syndicate completed their annual review and the Credit Facility was renewed on substantially the same terms. Notably, the financial covenant which required Spartan to maintain a net debt to cash flow ratio of less than 2.0 to 1.0 was terminated upon renewal effective May 26, 2022. The November borrowing base review was completed early during the third quarter of 2022 and the next borrowing base review scheduled to be completed in May 2023.

The Company is subject to certain financial covenants under the Credit Facility which include: for so long as the following covenants apply to the Term Facility: (A) the maximum funded debt to EBITDA (Earnings Before Interest, Taxes, 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 and hedging arrangements. As at December 31, 2022, 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. 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.

## LC Facility

The Company has a 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, are repayable on demand. The LC Facility provides 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. As at December 31, 2022, there was \$2.0 million of issued but undrawn letters of credit under the LC Facility.

## Term Facility

On August 31, 2021, the Company established a \$150.0 million non-revolving term facility (the “**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 by a \$300 million demand debenture on a second-priority basis to the Credit Facility. The principal amount is repayable in scheduled monthly instalments starting on September 1, 2024, being the 37<sup>th</sup> 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 36<sup>th</sup> month. Anytime after August 31, 2024, Spartan may repay the Term Facility without penalty. The Term Facility bears a floating interest rate of Canadian 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, 2022.

## 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. During the year ended December 31, 2022, 0.6 million common shares were issued on vesting of share awards as well as 17.6 million common shares were issued on exercise of stock options and warrants providing \$21.4 million of cash proceeds during the year. As of December 31, 2022 and as of the date of this MD&A, there were 171.4 million common shares outstanding (153.2 million as at December 31, 2021). There are no preferred shares or special shares outstanding.

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 on the TSX remains unchanged as “SDE”. The volume weighted average trading price of Spartan’s common shares on the TSX was \$13.93 and \$12.01 per common share for the three month period and year ended December 31, 2022, respectively. Spartan’s closing share price was \$14.95 on December 31, 2022 compared to \$5.97 on December 31, 2021.

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:

(000s)	Three months ended December 31			Year ended December 31		
	2022	2021	%	2022	2021	%
WA Shares outstanding, basic	<b>160,807</b>	153,128	5	<b>156,136</b>	115,555	35
Dilutive effect of outstanding securities	<b>15,046</b>	15,962	(6)	<b>19,347</b>	17,903	8
<b>WA Shares, diluted – for EPS</b>	<b>175,853</b>	169,090	4	<b>175,483</b>	133,458	31
Incremental dilution for AFF <sup>(1)</sup>	<b>1,340</b>	1,130	19	<b>1,537</b>	1,329	16
<b>WA Shares, diluted – for AFF <sup>(1)</sup></b>	<b>177,193</b>	170,220	4	<b>177,020</b>	134,787	31

(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:

<i>Number of securities outstanding (000s)</i>	December 31, 2021	December 31, 2022	<b>March 2, 2023</b>
Common shares	153,214	171,410	<b>171,426</b>
Warrants	15,814	-	-
Stock options <sup>(1)</sup>	4,358	3,323	<b>3,309</b>
Share awards	1,959	3,546	<b>3,675</b>
<b>Total securities outstanding <sup>(2)</sup></b>	<b>175,345</b>	<b>178,279</b>	<b>178,410</b>

(1) The stock options outstanding as at December 31, 2022 have an average exercise price of \$4.56 per common share with an average remaining term of 3.0 years.

(2) 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, 2022:

<i>(CA\$ thousands)</i>	2023	2024	2025	2026	2027	Thereafter
Gas transportation <sup>(1)</sup>	22,556	22,146	21,730	18,631	13,397	10,946
Liquids transportation <sup>(2)</sup>	20,743	17,273	17,226	17,226	17,226	19,688
NGLs fractionation <sup>(3)</sup>	1,333	1,425	1,421	1,421	1,421	3,197
Processing fees <sup>(4)</sup>	9,440	4,295	4,219	4,138	4,138	26,176
Capital commitments <sup>(5)</sup>	39,192	31,173	28,500	-	-	-
<b>Total commitments</b>	<b>93,264</b>	<b>76,312</b>	<b>73,096</b>	<b>41,416</b>	<b>36,182</b>	<b>60,007</b>

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

(2) Relates to upstream oil and NGLs transportation contracts in place until December 2028 and March 2030.

(3) Includes: (i) an agreement for fractionation fees on the committed volume of C3+ mix purchased until March 2023; and (ii) an agreement for the delivery of firm volume of C3+ to a fractionation facility until March 2030.

(4) Processing fee commitments relate to the following agreements: (i) a gas handling agreement at the Wapiti plant for transportation, compression and processing of natural gas until June 2023; (ii) firm capacity for natural gas gathering and processing at the Fourth Creek gas plant until October 2025; (iii) firm capacity for natural gas gathering and processing at the Kanata Simonette gas plant until September 2040.

(5) As at December 31, 2022, capital commitments include: (i) the remaining commitment to drill and tie-in 9 wells (estimate \$85.5 million) over a three-year period or be subject to a penalty of \$2.8 million per well, pursuant to an infrastructure construction contract as described in note 5 of the Annual Financial Statements and (ii) an agreement committing Spartan to purchase \$13.4 million of casing and tubing for future capital projects over 2023 to 2024.

### *Disposition of Spearhead and Flanagan South pipeline commitments*

During the first quarter of 2022, Spartan entered into an agreement with a third party to assign its firm transportation capacity and release Spartan from its related obligations on the Spearhead and Flanagan South pipelines effective April 1, 2022. Pursuant to the assignment agreement, Spartan received cash proceeds of US\$0.5 million and has reduced the Company's aggregate contractual commitments by approximately \$72.3 million. The contracts were assumed through the Velvet Acquisition and were not integral to Spartan's core business operations.

### *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, 2022.

### **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**

On January 1, 2022, two subsidiaries were vertically amalgamated with Spartan. On August 9, 2022, Bellatrix was wound up into Spartan concurrent with closing the Bellatrix Corporate Acquisition. As at December 31, 2022, Spartan has one wholly owned subsidiary, Inception General Partner Inc.

#### **b) Related party transactions**

During the year ended December 31, 2022, the Company incurred \$1.2 million of legal fees to a law firm where the corporate secretary of the Company is a partner (2021 – \$2.9 million). Approximately \$0.1 million of legal fees are included in the balance of accounts payable and accrued liabilities as at December 31, 2022 (2021 - \$0.1 million).

*ARETI Energy S.A.*

ARETI Energy S.A. ("**ARETI**") became a significant shareholder of Spartan pursuant to the Inception Acquisition on March 18, 2021. According to ARETI's public reporting, ARETI owned and controlled (through direct ownership or its affiliates) approximately 19.6% of the Company's total common shares outstanding as of December 31, 2021.

On March 28, 2022, ARETI announced the sale of 15 million common shares of Spartan, reducing its ownership to less than 10% of the issued and outstanding common shares of the Company. In April 2022, the agreement entered into by Spartan and ARETI in March 2021 which gave ARETI the right to nominate two directors to Spartan's board was terminated and Elliot Weissbluth and Steve Lowden resigned as directors of the Company.

In addition, the Company agreed to amend and terminate certain agreements which obligated ARETI to indemnify Spartan in certain circumstances. As a result, Spartan recorded a write down of other non-current assets of \$7.5 million during the first quarter of 2022 related to the indemnification assets recognized in the purchase price allocation for the Inception Acquisition. Spartan has no further contractual relationship with ARETI as a result of the foregoing.

#### **c) Conversion of promissory note due to related party**

The holder of the Convertible Note, ARETI Energy S.A., was a related party under IAS 24 Related Party Disclosures as at December 31, 2021. ARETI became a related party upon closing of the Inception Acquisition, however Spartan and ARETI were arm's length parties prior thereto, and ceased to be related parties on March 28, 2022.

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.



#### 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, 2022 and 2021:

(CA\$ thousands)	Year ended December 31	
	2022	2021
Salaries and benefits	8,229	5,467
Directors fees	238	138
Share based compensation <sup>(1)(2)</sup>	7,171	4,560
<b>Total key management compensation</b>	<b>15,638</b>	<b>10,165</b>

(1) During 2022, key management personnel were granted 756,300 share awards and 630,300 stock options with an exercise price of \$8.14 per share.

(2) 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.

#### 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\$ millions, except as noted)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	321.9	317.0	382.0	294.4	267.0	134.1	88.8	62.4
Net income and comprehensive income	152.9	285.3	181.7	61.2	128.5	126.9	19.7	59.2
\$ per share, basic	0.95	1.84	1.17	0.40	0.84	1.01	0.17	0.87
\$ per share, diluted	0.87	1.64	1.05	0.36	0.76	0.87	0.15	0.73
Funds from Operations <sup>(1)</sup>	235.1	202.8	234.6	162.0	139.5	68.8	55.4	36.3
Capital Expenditures <sup>(1)(2)</sup>	159.4	82.3	90.6	107.4	115.9	437.6	19.7	39.3
Total assets	2,099.5	1,964.6	1,811.7	1,811.8	1,742.4	1,684.3	730.0	679.6
Working capital deficit (surplus)	(30.4)	7.2	79.8	142.3	133.4	152.6	(101.1)	(75.8)
Long-term liabilities	304.0	310.8	397.1	553.4	612.2	655.1	210.8	194.4
Shareholders' equity	1,516.8	1,428.7	1,139.8	950.7	886.6	756.2	437.7	414.2
Average daily production (BOE/d)	74,639	72,134	72,966	72,588	72,428	46,282	39,638	31,914
% Liquids	39%	39%	38%	37%	38%	32%	29%	28%
Average realized price (\$ per BOE)	52.01	52.32	65.92	49.35	44.48	34.31	26.71	24.12
Operating Netbacks <sup>(1)</sup>								
Before hedging (\$ per BOE) <sup>(1)</sup>	35.47	36.10	45.56	33.73	30.00	22.16	17.43	15.31
After hedging (\$ per BOE) <sup>(1)</sup>	34.28	32.74	37.47	26.94	23.36	18.79	16.89	14.28

(1) "Funds from Operations", "Capital Expenditures" and "Operating Netbacks" 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.

The Company had an acquisitive growth strategy in 2020 and 2021 that materially advanced Spartan's operations, financial position and results. The Company initially established its position in the Deep Basin through the acquisition of substantially all of the assets of Bellatrix in June 2020 for total consideration of \$108.8 million (the "**BXE Asset Acquisition**"). 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. Spartan's focus subsequently transitioned to organic growth, investing a total of \$549.8 million into exploration and development capital expenditures across its core asset base over the past five quarters. Spartan completed the Bellatrix Corporate Acquisition in August of 2022, adding a deferred income tax asset of \$143.9 million in exchange for cash consideration of \$6.0 million, which also contributed to significant net income reported in the third quarter of 2022.

The 2021 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 2020. Commodity prices subsequently exceeded pre-pandemic levels during 2021. During the second quarter of 2022, global crude oil prices rose to the highest levels since 2014 and continued to be strong in the second half of 2022. 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 oil assets. Average production in the first three quarters of 2022 was relatively flat as new drilling offset natural declines and downtime due to turnarounds, with production in the fourth quarter of 2022 reflecting growth from the Company's successful drilling program.

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, turnarounds performed in 2022, as well as inflationary pressures due to higher industry activity levels. Operating Netbacks softened in the second half of 2022 as benchmark pricing has decreased from the peak seen in the second quarter of 2022, partly offset by lower royalties and operating expenses. Spartan's net income includes a gain of \$35.7 million on the Inception Acquisition in the first quarter of 2021, \$89.0 million on the Velvet Acquisition in the third quarter of 2021 and \$3.1 million on the Ferrier Acquisition in the third quarter of 2021. Additionally, net income for the third quarter of 2022 includes a deferred tax recovery of \$137.9 million recognized in connection with the Bellatrix Corporate Acquisition. The fourth quarter of 2022 includes other income of \$14.3 million related to an infrastructure construction project.

Unrealized changes in the fair value of derivative financial instruments also contributed to significant fluctuations in net income each quarter. In particular, Spartan's net income includes an unrealized gain of \$38.1 million, \$38.2 million and \$23.6 million for the second, third and fourth quarters of 2022, respectively, as compared to an unrealized loss of \$48.3 million in the first quarter of 2022.

The 2021 Acquisitions were financed through a combination of cash provided by operating activities, equity offerings and long-term debt. 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. In the fourth quarter of 2022, the Company declared a special cash dividend of \$0.50 per common share payable on January 16, 2023, to eligible shareholders of record at the close of business on December 15, 2022.

## **SELECTED ANNUAL INFORMATION**

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

<i>(CA\$ thousands, except as noted)</i>	<b>2022</b>	2021	2020
Revenue	<b>1,315,260</b>	552,200	90,839
Net income and comprehensive income	<b>681,086</b>	334,220	47,663
\$ per share, basic	<b>4.36</b>	2.89	1.06
\$ per share, diluted	<b>3.88</b>	2.50	0.86
Funds from Operations <sup>(1)</sup>	<b>834,611</b>	297,844	33,594
Capital Expenditures <sup>(1)(2)</sup>	<b>439,340</b>	612,494	125,869
Total assets	<b>2,099,475</b>	1,742,414	331,430
Working capital (surplus) deficit	<b>(30,381)</b>	133,416	21,208
Long-term liabilities	<b>304,027</b>	612,191	147,992
Shareholders' equity	<b>1,516,821</b>	886,649	137,540
Average daily production (BOE/d)	<b>73,084</b>	47,674	15,421
% Liquids	<b>38%</b>	33%	31%
Average realized price (\$ per BOE)	<b>54.90</b>	34.95	17.07
Operating Netback, before hedging (\$ per BOE) <sup>(1)</sup>	<b>37.71</b>	23.05	8.63
Operating Netback, after hedging (\$ per BOE) <sup>(1)</sup>	<b>32.89</b>	19.40	8.46

(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 and newly adopted accounting policies applied by the Company are described in note 3 of the Annual Financial Statements as at December 31, 2022.

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, 2023. 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.

## **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 consistent with those outlined in note 2 of the Annual Financial Statements.

### *Business Combinations*

The application of the Company's accounting policy for business combinations requires management to make certain judgments under IFRS 3 Business Combinations ("IFRS 3"), to determine whether the acquired assets meet the definition of a business combination or an asset acquisition. It was determined that the Bellatrix Corporate Acquisition constitutes an asset acquisition as opposed to a business combination. 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 on their relative fair values at the date of purchase.

It was determined that the Bellatrix Corporate Acquisition constitutes an asset acquisition as opposed to a business combination. The impact of accounting for the Bellatrix Corporate Acquisition as an asset acquisition as opposed to a business combination under IFRS 3 resulted in recognition of a deferred tax asset of \$143.9 million, with a corresponding deferred income tax recovery of \$137.9 million in excess of the \$6.0 million consideration paid.

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 (“E&E”) assets PP&E 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 (FDCs) are used to calculate depletion. Reserves are used in measuring the fair value less costs of disposal (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, 2022 and December 31, 2021 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.

### *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.

As at December 31, 2022 and 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.

### *Recoverability of asset carrying values*

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 the greater of its FVLCD or value in use. 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. As at December 31, 2022 and 2021, Spartan concluded there were no indicators of impairment or reversals.

### *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 impacts inflated future cost estimates and the estimated carrying amount (present value) of decommissioning obligations.

In the current business environment of rising interest rates and high inflation, assumptions for the discount rate and inflation rate applied in the calculation had a significant impact on the carrying amount of decommissioning obligations as at December 31, 2022. In particular, the increase in risk-free discount rate from 1.7% at December 31, 2021 to 3.3% at December 31, 2022, resulted in a decrease to the present value by \$44.9 million. The Company expects above average inflation to persist over the next 3 to 5 years, however thereafter the long-term average inflation rate is expected to return back to the Bank of Canada's target rate of 2.0% over the restoration period. The estimated future costs and carrying amount of decommissioning obligations is based on a weighted average inflation rate of 2.3% over the

restoration period as at December 31, 2022, compared to the flat estimate of 2.0% as of December 31, 2021. The increase in inflation rate contributed to an increase in the carrying amount by approximately \$7.8 million at December 31, 2022.

#### *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 2022 due to the change in forecast commodity prices. The Velvet Acquisition brought on a \$94.2 million derivative financial instrument liability on acquisition, with derivative financial contracts spanning out to 2023. Subsequent to the Velvet Acquisition Spartan entered into additional derivative financial contracts for 2023. Net income for 2022 includes an unrealized gain of \$51.6 million on derivative financial instruments (2021 - \$0.4 million). As at December 31, 2022, Spartan has a net derivative financial instrument asset of \$33.0 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. As at December 31, 2022, Spartan has recognized a deferred income tax asset of \$120.0 million on the Consolidated Statement of Financial Position and has an estimated \$2.1 billion of available tax pools (~60% non-capital losses). The Company expects to have sufficient taxable profits in the future to utilize its non-capital losses.

Judgement is required to determine an accounting policy to recognize deferred income tax assets that were not previously recognized. During 2022 and 2021, Spartan applied judgement in respect of recognized and unrecognized deferred tax assets. Under IFRS, deferred income 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. The Company acquired and immediately recognized a deferred tax asset of \$143.9 million during the year ended December 31, 2022 in connection with the Bellatrix Corporate Acquisition, with a corresponding deferred income tax recovery of \$137.9 million in excess of the \$6.0 million consideration paid. In the prior year, Spartan had an unrecognized deferred tax asset of \$41.8 million upon initial recognition of an acquisition completed in January 2021. 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 ended December 31, 2021 resulting in a reduction of deferred income tax expense by \$41.8 million for the year ended December 31, 2021.

## **CONTROL ENVIRONMENT**

### *Disclosure Controls and Procedures*

As of December 31, 2022, 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, 2022.

There were no changes in the Company's DC&P or ICFR during the year ended December 31, 2022 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 AIF which can be found at [www.sedar.com](http://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 Deep Basin core 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.

### **Volatility in the Petroleum and Natural Gas Industry**

Market events and conditions, including global excess crude oil and natural gas supply, actions taken by OPEC+, sanctions against, and civil unrest in, Iran and Venezuela, slowing growth in China and emerging economies, market volatility and disruptions in Asia, weakening global relationships, conflict between the United States and Iran, isolationist and punitive trade policies, increased United States shale production, sovereign debt levels, world health emergencies (including the COVID-19 pandemic) and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant volatility in commodity prices. Following extreme supply/demand imbalances in 2020, the crude oil and natural gas industry rebounded strongly throughout 2021, with oil prices reaching their highest levels in six years. However, the ongoing war in the Ukraine and price caps and sanctions on oil from Russia have impacted demand and oil prices throughout the latter half of 2022. It is anticipated that the oil and natural gas industry will experience more pressure from investors to take meaningful strides towards combating climate change in the upcoming years, including diversifying their energy portfolios. These events and conditions have caused a significant decrease in the valuation of crude oil and natural gas companies and a decrease in confidence in the petroleum and natural gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax, royalty changes and environmental regulation. In addition, difficulties encountered by midstream proponents to obtain the necessary approvals on a timely basis to build pipelines, liquefied natural gas plants and other facilities to provide better access to markets for the petroleum and natural gas industry in Western Canada and cross-border with the United States has led to additional downward price pressure on crude oil and natural gas produced in Western Canada. The resulting price differential between Western Canadian Select crude oil, Brent and West Texas Intermediate crude oil has created uncertainty and reduced confidence in the petroleum and natural gas industry in Western Canada.

Lower commodity prices may also affect the volume and value of the Company's reserves, especially as certain reserves become uneconomic. In addition, lower commodity prices have reduced, and are anticipated to continue to reduce, the Company's cash flow which could result in a reduced capital expenditure budget. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year-over-year basis. A prolonged period of adverse market conditions may impede the Company's ability to refinance its Credit Facility or arrange alternative financing when the Credit Facility becomes due or if the lending limits under the Credit Facility are reduced upon periodic review. Given the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, the Company may have difficulty raising additional funds in the future or if it is able to do so, it may be on unfavourable and highly dilutive terms. If these conditions persist, Spartan's cash flow may not be sufficient to continue to fund operations and to satisfy obligations when due and will require additional equity or debt financing and/or proceeds from asset sales. There can be no assurance that such equity or debt financing will be available on terms that are satisfactory or at all. Similarly, there can be no assurance that the Company will be able to realize any or sufficient proceeds from asset sales to discharge its obligations.

### **Exploration, Development and Production Risks**

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Spartan depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Spartan may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Spartan's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that Spartan will be able to continue to locate satisfactory



properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Spartan may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Spartan.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents and the shutting-in of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision, effective maintenance operations and the development of enhanced oil recovery technologies can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect production, which may reduce the Company's revenue.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills and other environmental hazards, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including geological and seismic risks, encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a negative effect on future results of operations, liquidity and financial condition, which could prove to be material over time.

As is standard industry practice, Spartan is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount considered consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, Spartan could incur significant costs.

## 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 solely 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. A strengthening in the Canadian dollar against the U.S. dollar could negatively impact the commodity prices realized by Spartan, even with no change in the underlying commodity U.S. benchmark.

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, NGLs and natural gas and the various market prices received for such products. However, if commodity prices increase or differentials narrow 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 forecast crude oil and natural gas prices.

The following table 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, 2022:

<i>(CA\$ thousands)</i>	Change in price / differential	Positive movement	Negative movement
NYMEX Henry Hub ("HH")	+/- US\$ 0.25 per mmbtu	(9,602)	9,602
NYMEX HH-AECO 7A Basis <sup>(1)</sup>	+/- US\$ 0.10 per mmbtu	(4,188)	4,188
AECO 7A	+/- US\$ 0.25 per GJ	(3,972)	3,972
US\$/CA\$ exchange rate	+/- \$ 0.05	(4,050)	4,050

(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 its 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 currently 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%.

The global economic recovery and inflationary environment has resulted in rising interest rates. For the first time since 2018, the Bank of Canada raised its benchmark interest rate by 25 basis points on March 2, 2022. Over the course of 2022 the benchmark interest rate was increased by an additional 375 basis points, for a total increase of 400 basis points during the year ended December 31, 2022. In January 2023, the benchmark interest rate was yet again increased by 25 basis points, with further interest rate increases 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 period ended December 31, 2022.

Based on \$150.0 million of long-term debt outstanding on the Term Facility at December 31, 2022, an increase in the market rate of interest by 50 basis points would increase annualized interest expense by approximately \$0.8 million. The Company utilized Free Funds Flow to repay its bank debt, partially mitigating the risk of further interest rate increases.

*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 the majority of Spartan's revenue is received in Canadian dollars. A portion of the Company's crude oil is marketed in U.S. dollars, however U.S. dollar revenues represented less than 10% of Spartan's oil and gas sales during 2022. 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, the Company's commodity price risk management contracts settle in U.S. dollars.

The US\$/CA\$ exchange rate closed at 1.353 on December 31, 2022, down from 1.370 on September 30, 2022 and up from 1.266 on December 31, 2021. Although the US\$/CA\$ exchange rate is typically negatively correlated to the movement in WTI crude oil prices, during the year ended December 31, 2022 the Canadian dollar weakened relative to the U.S. dollar despite WTI increasing by 7% since year-end. A weaker Canadian dollar has a positive impact on the Canadian dollar equivalent price Spartan receives, which compounds the impact on the Company's revenue due to higher benchmark oil prices. Should the Canadian dollar strengthen against the U.S. dollar, the impact of higher benchmark oil prices could be diminished, or alternatively a stronger Canadian dollar could heighten the impact of weakening 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, 2022, Spartan had contracted to fix the U.S. dollar exchange rate at \$1.34 on a notional US\$9.0 million per month from April 1 to December 31, 2023. The fair value of the foreign exchange contract resulted in a current derivative financial instrument liability of \$0.8 million at December 31, 2022.

**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, 2022, Spartan’s expected credit loss provision is \$1.6 million (\$1.1 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. As at December 31, 2022, Spartan’s financial liabilities include accounts payable, derivative financial instrument liabilities, long-term debt and lease liabilities. A contractual maturity analysis 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.

The Company is early in its life cycle and its development program 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 may 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.

### **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.

### **Political Uncertainty**

The Company's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically and duration of regulatory reviews could impact Spartan's existing operations and planned projects. This includes actions by regulators or other political factors to delay or deny necessary licenses and permits for the Company's activities or restrict the operation of third-party infrastructure that the Company relies on. Additionally, changes in environmental regulations, assessment processes or other laws, while increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact Spartan's results.

Other government and political factors that could adversely affect the Company's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Company's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for Spartan's products.

The federal government was re-elected in 2019, but in a minority position. Another federal election was held on September 20, 2021 and the federal government was re-elected again in a minority position. The ability of the minority federal government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the petroleum and natural gas industry. The minority federal government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier subsequent federal election. A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the petroleum and natural gas industry including the balance between economic development and environmental policy. Lack of political consensus, at both the federal and provincial government level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the petroleum and natural gas industry, which effect could prove to be material over time.

Following former Alberta Premier Jason Kenney's resignation on May 18, 2022, Danielle Smith was elected as Premier on October 11, 2022. Shortly after her appointment, Premier Smith introduced Bill 1: The Alberta Sovereignty Within a United Canada Act (the "Sovereignty Act"). The Sovereignty Act was passed on December 8, 2022, and received Royal Assent on December 15, 2022. The Sovereignty Act, amongst other things, enables the Alberta Government to choose which federal legislation, policies or programs it will enforce in Alberta, providing an overriding right to not enforce those which the Alberta Government deems to be "harmful" to Alberta's interests or infringe on the Federal Constitution and its division of powers. The Sovereignty Act has been opposed by many, including the National Democratic Party and various Indigenous groups who have expressed concern as to how the Sovereignty Act will affect Indigenous rights and consultation obligations in Alberta. It is unclear what the effect the Sovereignty Act will have on Alberta, including the petroleum and natural gas industry, Alberta businesses and its federal and interprovincial relationships, including the application of certain federal legislation in Alberta, such as the Greenhouse Gas Pollution Pricing Act and the Impact Assessment Act and the way in which the Alberta Government may address any legislative and policy gaps created. Although the Sovereignty Act has not yet been challenged in court, it is possible the Sovereignty Act's constitutionality will be challenged.

### **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.

### **Royalty Regimes**

There can be no assurance that the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or Spartan's operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017. British Columbia introduced a new royalty framework in May 2022 that comes into effect on September 1, 2024, with a number of incentives ending for any wells spudded after September 1, 2022.

### **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.

Moreover, in recent years there has been increasing litigation regarding historical treaties with Indigenous peoples in Canada. Judicial interpretation of such historical treaties, and in particular the rights granted thereunder to Indigenous nations to manage and use the lands in a manner consistent with their ancestral practices, may impact future resource and industrial development in and around these lands. While the potential impact of current and future judicial decisions is uncertain at this time, it is possible that such decisions may 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.

## Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of greenhouse gas ("GHG"), including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada and the United States, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In addition, during the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada's Prime Minister Justin Trudeau made several pledges aimed at reducing Canada's GHG emissions and environmental impact.

### *Chronic Climate Change Risks*

The Company's exploration and production facilities and other operations and activities emit GHGs 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. There is no guarantee the current provincial regimes in place will continue to meet federal stringency requirements and their continued application is subject to achieving the stringency standards as required by the federal government.

Climate change has been linked to long-term shifts in climate patterns, including sustained higher temperatures. As the level of activity in the Canadian petroleum and natural gas industry is influenced by seasonal weather patterns, long-term shifts in climate patterns pose the risk of exacerbating operational delays and other risks posed by seasonal weather patterns. In addition, long-term shifts in weather patterns such as water scarcity, increased frequency of storm and fire and prolonged heat waves may, among other things, require the Company to incur greater expenditures (time and capital) to deal with the challenges posed by such changes to its premises, operations, supply chains, transport needs and employee safety, which may in turn have a material adverse effect on the Company. Specifically, in the event of water shortages or sourcing issues, the Company may not be able to, or will incur greater costs to, carry out hydraulic fracturing.

Foreign and domestic governments continue to evaluate and implement policy, legislation and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing operating expenses on the royalty properties, and, in the long-term, potentially reducing the demand for crude oil and natural gas and related products, resulting in a decrease in the Company's profitability and a reduction in the value of its assets.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels which influenced investors' willingness to invest in the petroleum and natural gas industry. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENVironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify all Quebecois under 35 as a class in a proposed class action lawsuit against the Government of Canada for climate related matters. The application was denied and ENVironment JEUnesse appealed to the Appeal Court of Quebec on February 23, 2021. The appeal was dismissed on December 31, 2021. In January 2019, the City of Victoria became the first municipality in Canada to endorse a class action lawsuit against oil and natural gas producers for alleged climate-related harms. The Union of British Columbia Municipalities defeated the City of Victoria's motion to initiate a class action lawsuit to recover costs it claims are related to climate change.



Given the perceived elevated long-term risks associated with regulatory changes or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to crude oil and natural gas and related infrastructure businesses and projects. The impact of such efforts may require the Company's management to dedicate significant time and resources to these climate change related concerns, may adversely affect the Company's operations, the demand for and price of the Company's securities and may negatively impact the Company's cost of capital and access to the capital markets, which negative impact could prove to be material over time.

Claims have been made against certain energy companies alleging that GHG emissions from crude oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities or other organizations may make claims against crude oil and natural gas companies, for alleged personal injury, property damage or other potential liabilities. While the Company is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of securities issued by the Company, impact its operations and have an adverse effect on its financial condition, which could prove to be material.

Given the evolving nature of climate change policy and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Company's operating expenses and in the long-term, potentially reducing the demand for crude oil and natural gas production resulting in a decrease in the Company's profitability and a reduction in the value of its assets or requiring impairments for financial statement purposes.

Public support for climate change action and receptivity to new technologies has grown in recent years. Governments in Canada and around the world have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards and alternative energy incentives and mandates. There has also been increased activism, including threats of culpability, legal action against oil and gas producers, and public opposition to fossil fuels and the oil and gas industry in which the Company operates. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict the impact on its operations and financial condition.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 - Disclosure of Climate-Related Matters, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

#### *Acute Climate Change Risks*

Climate change has been linked to extreme weather conditions. Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict or could interfere with the Company's operations, increasing its costs and otherwise negatively impacting its operations. Over the last several years, certain areas of British Columbia, Alberta and Saskatchewan have been negatively impacted by wildfires, and most recently with extreme flooding in British Columbia,

causing temporary interruption to both pipeline systems and railway lines. Extreme weather conditions may lead to disruptions in the Company's ability to transport produced oil and natural gas as well as goods and services in its supply chains. The Company's assets are located in locations that are proximate to forests and rivers and a wildfire or flood, respectively, may lead to significant downtime and/or damage to such assets which may affect production. At this time, the Company is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting the Company's operations.

### **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.

### **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.

### **Information Technology Systems and Cyber-Security**

Spartan has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure, and its ability to expand and continually update this infrastructure, to conduct daily operations. Various information technology systems are relied upon to estimate reserve quantities, process and record financial data, manage the land base, manage financial resources, analyze seismic information, administer contracts and communicate with employees and third-party partners.

The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Spartan's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to its business activities or competitive position. In addition, cyber-phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber-phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Company's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber security risk assessments. The Company also employs encryption protection of its confidential information, all computers and other electronic devices. Despite the Company's efforts to mitigate such phishing attacks through education and training, phishing activities remain a serious problem that may damage Spartan's information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect its information assets and systems, including written incident response plan for responding to a cyber security incident. However, these controls may not adequately prevent cyber-security breaches.

Disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's performance and earnings, as well as reputation. Spartan applies technical and process controls in line with industry-accepted standards to protect information assets and systems; however, these controls may not adequately prevent cyber-security breaches. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

### **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 Spartan's business, including changes to the way Spartan and its counterparties operate, and on Spartan's financial results and condition. The spread of the COVID-19 pandemic, given its severity and scale, continues to adversely affect the Company's business to varying degrees and many of its customers and business partners and also continues to pose risks to the global economy and the petroleum 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. In addition, the emergence of the second, third and fourth waves of the COVID-19 pandemic, together with the emergence of new COVID-19 variant strains, has led to the imposition of containment measures to varying degrees in many regions within Canada and globally. 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. As the impacts of the COVID-19 pandemic continue to materialize, the prolonged effects of the disruption have had and continue to have adverse impacts on the Company's business strategies and initiatives, resulting in ongoing effects to its financial results, including the increase of counterparty, market and operational risks.

The Company 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 the 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 Spartan's business partners, clients and customers and the way in which Spartan conducts business, including prolonged duration of staff working from home. These factors have impacted, and may continue to impact, Spartan's business operations and continuity of relationships with its 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 its business continuity plans to adapt to the ongoing work from home arrangements, carefully planning the return to the office environment for some of Spartan's employees, and the Company's human resources team has increased its efforts to preserve the well-being of Spartan's employees and its ability to conduct business.

#### **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 2021 Annual Information Form dated March 8, 2022
API	American Petroleum Institute gravity
bbbl	barrel
bbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
DCET	capital expenditures 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 Principles, which incorporate International Financial Reporting Standards ("IFRS") for public companies
GJ	gigajoule
H1	six months ended June 30
H2	six months ended December 31
ICFR	internal controls over financial reporting
LCA	Licensee Capability Assessment
LMR	Liability Management Rating of the Alberta Energy Regulator
mbls	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
MM	millions of dollars
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
NCLs	non-capital losses
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
Q1 2022	first quarter of 2022
Q2 2022	second quarter of 2022
Q3 2022	third quarter of 2022
Q4 2022	fourth quarter of 2022
Q1 2021	first quarter of 2021
Q2 2021	second quarter of 2021
Q3 2021	third quarter of 2021
Q4 2021	fourth quarter of 2021
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 2023 outlook, including anticipated production levels and capital expenditure budget for 2023;
- the expectation that the Repositioning Process (as defined and described under the heading "2023 Outlook and Guidance") may elicit change and enhance shareholder value;
- Spartan's intentions with respect to the future return of capital, including the potential combination of share repurchases, base dividend payments and/or special dividend payments;
- 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;
- Spartan's objective to maintain an industry leading Liability Management Rating;
- capital resources and liquidity, including Spartan's expectations regarding sources of funding for future development capital expenditures;
- estimates used to calculate the fair value of net assets acquired through business combinations, decommissioning obligations, and depletion and impairment of PP&E;
- expectations regarding the Bellatrix Corporate Acquisition, including the amount of available tax pools and the anticipated impact to Spartan's tax horizon;
- expectations of generating future taxable profits in order to realize deferred tax assets by utilizing available tax pools in the future, as well as the estimated amount of available tax pools;
- expectations regarding Spartan's position to withstand future commodity price volatility;
- the expectation that interest rates and borrowing costs will continue to increase over the next twelve months;
- 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 2023 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 and interest 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, including estimated future development capital expenditures required to develop total proved plus probable reserves;
- 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 and the impact of increasing competition;
- the ability to obtain financing on acceptable terms;
- 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:

- the failure to achieve the anticipated benefits of the Repositioning Process or any transactions undertaken pursuant to the Repositioning Process;
- 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 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. Further, the ability of Spartan to pay dividends or execute share buybacks in the future, if any, will be subject to applicable laws (including the satisfaction of the solvency test contained in applicable corporate legislation) and contractual restrictions contained in the instruments governing its indebtedness, including its credit facility. 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](http://www.sedar.com) or on the Company's website at [www.spartandeltacorp.com](http://www.spartandeltacorp.com).

The forward-looking statements and future orientated 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.