SPARTAN DELTA CORP.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

MANAGEMENT'S REPORT

Calgary, Alberta
February 26, 2024

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To ensure the integrity of our financial statements, we carefully select and train qualified personnel. We also ensure our organizational structure provides appropriate delegation of authority and division of responsibilities. Our policies and procedures are communicated throughout the organization including a written ethics and integrity policy that applies to all employees including the Chief Executive Officer and Chief Financial Officer.

The Board of Directors approves the consolidated financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized, and to facilitate the preparation of relevant, reliable, and timely information. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of the internal control over financial reporting for Spartan Delta Corp. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Company's internal controls over financial reporting are effective as of December 31, 2023.

[signed] "Fotis Kalantzis"	*[signed] "Ronald Williams"*
President and Chief Executive Officer	Chief Financial Officer

Independent auditor's report

To the Shareholders of Spartan Delta Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Spartan Delta Corp. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of net income and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of crude oil and natural gas reserves on net development and production (D&P) assets *Refer to note 2 – Basis of preparation, note 3 – Material accounting policies and note 8 – Property, plant and equipment to the consolidated financial statements.* The Company had $490 million of net D&P assets as at December 31, 2023. Depletion, depreciation and impairment (DD&I) expense for the D&P assets was $139 million for the year then ended. D&P assets are depleted using the unit-of-production method based on total production as a percentage of proved plus probable crude oil and natural gas reserves. The significant assumptions used by management to determine the proved plus probable reserves of the Company's D&P assets include the production forecasts, future prices and the timing and amount of future expenditures. The proved plus probable crude oil and natural gas reserves are prepared by independent qualified reserves evaluators (management's experts). We considered this a key audit matter due to the significant judgment by management, including the use of management's experts, when developing the estimates of proved plus probable crude oil and natural gas reserves, and a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions.	Our approach to addressing the matter included the following procedures, among others: • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable crude oil and natural gas reserves used to determine DD&I expense. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts and an evaluation of their findings. Evaluating the assumptions used by management's experts in developing the underlying estimates also included assessing whether: – The production forecasts as well as the timing and amount of future expenditures were reasonable by considering the current and past performance of the D&P assets, and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable. – Future prices were reasonable by comparing them to other reputable third party industry forecasts. • Recalculated the unit-of-production rates used to calculate DD&I expense for the D&P assets.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Don Althen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 26, 2024

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(CA$ thousands)	[Note]	**December 31, 2023**	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**406**	124,399
Restricted cash	[12]	**150,864**	-
Accounts receivable	[4]	**50,675**	140,413
Prepaid expenses and deposits		**8,014**	8,011
Other current assets	[5]	**-**	2,340
Derivative financial instruments	[4]	**11,889**	33,845
Total current assets		**221,848**	309,008
Exploration and evaluation assets	[6,7]	**28,807**	104,120
Property, plant and equipment	[6,8]	**490,465**	1,524,272
Right-of-use assets	[9]	**31,646**	42,119
Derivative financial instruments	[4]	**6,171**	-
Deferred income tax asset	[13]	**40,587**	119,956
Total assets		**819,524**	2,099,475
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[4]	**86,265**	176,855
Dividends payable	[12]	**150,864**	85,704
Derivative financial instruments	[4]	**-**	818
Lease liabilities	[9]	**9,469**	9,450
Decommissioning obligations	[10]	**3,650**	5,800
Total current liabilities		**250,248**	278,627
Long-term debt	[11]	**44,476**	145,180
Lease liabilities	[9]	**25,763**	36,045
Decommissioning obligations	[10]	**69,320**	122,802
Total liabilities		**389,807**	582,654
SHAREHOLDERS' EQUITY			
Share capital	[12]	**11,712**	553,647
Contributed surplus		**1,303**	24,400
Retained earnings		**416,702**	938,774
Total shareholders' equity		**429,717**	1,516,821
Total liabilities and shareholders' equity		**819,524**	2,099,475
Commitments and contingencies	[19]		
Subsequent events	[21]		

The accompanying notes are an integral part of these Financial Statements.

Approved on behalf of the Board of Directors:

[signed] "Richard McHardy"	*[signed] "Donald Archibald"*
Richard McHardy, Director	Donald Archibald, Director

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(CA$ thousands, except per share amounts)	[Note]	Year ended December 31 **2023**	2022
Revenue			
Oil and gas sales	[14]	**652,769**	1,464,467
Royalties	[14]	**(69,560)**	(159,877)
Oil and gas sales, net of royalties		**583,209**	1,304,590
Pipeline transportation		**-**	1,364
Processing and other		**9,586**	9,306
		592,795	1,315,260
Gain (loss) on derivative financial instruments	[4]	**53,346**	(30,917)
Expenses			
Operating		**137,440**	233,250
Transportation		**45,741**	74,620
Pipeline transportation		**-**	1,718
General and administrative		**20,179**	25,535
Share-based compensation	[12]	**29,668**	12,329
Financing	[15]	**19,040**	31,603
Exploration and evaluation	[7]	**21,210**	6,961
Depletion, depreciation and impairment	[8,9]	**148,667**	204,168
		421,945	590,184
Other income (expenses)			
Gain on sale of assets	[6]	**543,205**	2,101
Write down of other non-current assets		**-**	(7,500)
Transaction costs	[6]	**(18,304)**	(143)
Other income	[16]	**2,778**	20,310
Foreign exchange gain (loss)	[4]	**(576)**	1,098
		527,103	15,866
Net income before income taxes		**751,299**	710,025
Deferred income tax expense	[13]	**88,192**	28,939
Net income and comprehensive income		**663,107**	681,086
Net income per share			
Basic	[12]	**3.84**	4.36
Diluted	[12]	**3.82**	3.88

The accompanying notes are an integral part of these Financial Statements.

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(CA$ thousands)	[Note]	Share capital	Warrants	Contributed surplus	Retained earnings	Total
Balance at December 31, 2022		**553,647**	**-**	**24,400**	**938,774**	**1,516,821**
Net income and comprehensive income		**-**	**-**	**-**	**663,107**	**663,107**
Common shares issued, net of costs:						
Stock options exercised	[12]	**66**	**-**	**(20)**	**-**	**46**
Stock options cash settled	[12]	**(1,626)**	**-**	**(6,868)**	**-**	**(8,494)**
Share awards released on vesting	[12]	**13**	**-**	**(13)**	**-**	**-**
Dividends declared	[12]	**-**	**-**	**-**	**(1,662,733)**	**(1,662,733)**
Distributions declared	[12]	**-**	**-**	**-**	**(60,620)**	**(60,620)**
Return of capital	[12]	**(540,388)**	**-**	**-**	**540,388**	**-**
Share-based compensation expense		**-**	**-**	**11,128**	**-**	**11,128**
Equity settled awards converted to cash settled awards	[12]	**-**	**-**	**(27,324)**	**(11,037)**	**(38,361)**
Deferred tax recognized on conversion to cash settled awards	[13]	**-**	**-**	**-**	**8,823**	**8,823**
Balance at December 31, 2023		**11,712**	**-**	**1,303**	**416,702**	**429,717**
Balance at December 31, 2021		517,192	9,725	16,340	343,392	886,649
Net income and comprehensive income		-	-	-	681,086	681,086
Common shares issued, net of costs:						
Warrants exercised	[12]	25,539	(9,725)	-	-	15,814
Stock options exercised	[12]	8,144	-	(2,525)	-	5,619
Issue costs, net of deferred tax	[12]	(9)	-	-	-	(9)
Share awards released on vesting	[12]	2,781	-	(2,781)	-	-
Dividends declared	[12]	-	-	-	(85,704)	(85,704)
Share-based compensation expense		-	-	13,366	-	13,366
Balance at December 31, 2022		**553,647**	**-**	**24,400**	**938,774**	**1,516,821**

The accompanying notes are an integral part of these Financial Statements.

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW

(CA$ thousands)	[Note]	Year ended December 31 2023	2022
Operating activities			
Net income		**663,107**	681,086
Items not affecting cash:			
Unrealized (gain) loss on derivatives	[4]	**29,978**	(51,567)
Unrealized foreign exchange (gain) loss	[4]	**165**	(168)
Share-based compensation	[12]	**29,668**	12,329
Financing	[15]	**2,759**	3,515
Exploration and evaluation	[7]	**21,210**	6,961
Depletion, depreciation and impairment	[8,9]	**148,667**	204,168
Write down of other non-current assets		**-**	7,500
Gain on sale of assets	[6]	**(543,205)**	(2,101)
Other income		**(2,683)**	(5,252)
Deferred income tax expense	[13]	**88,192**	28,939
Settlement of acquired derivative liabilities	[4]	**(15,011)**	(45,781)
Settlement of decommissioning obligations	[10]	**(6,373)**	(5,018)
Change in non-cash working capital	[17]	**59,195**	(39,240)
Cash provided by operating activities		**475,669**	795,371
Financing activities			
Advances of long-term debt, net of costs	[11]	**49,296**	327,216
Repayments of second lien term facility	[11]	**(150,000)**	-
Repayments of long-term debt	[11]	**-**	(569,600)
Issue of common shares, net of costs	[12]	**46**	21,421
Increase in restricted cash	[12]	**(150,864)**	-
Lease payments	[9]	**(9,605)**	(9,087)
Dividends paid	[12]	**(1,597,573)**	-
Cash settlement of RSA's and stock options	[12]	**(65,874)**	-
Change in non-cash working capital	[17]	**-**	(91)
Cash used in financing activities		**(1,924,574)**	(230,141)
Investing activities			
Exploration and evaluation assets	[7]	**(13,904)**	(17,255)
Property, plant and equipment	[8]	**(281,141)**	(416,902)
Acquisitions	[6]	**(34,353)**	(6,463)
Dispositions	[6]	**1,704,550**	1,280
Change in non-cash working capital	[17]	**(50,222)**	(2,963)
Cash provided by (used in) investing activities		**1,324,930**	(442,303)
Net change in cash and cash equivalents		**(123,975)**	122,927
Foreign exchange on cash and cash equivalents		**(18)**	227
Cash and cash equivalents, beginning of year		**124,399**	1,245
Cash and cash equivalents, end of year		**406**	124,399

The accompanying notes are an integral part of these Financial Statements.

1. GENERAL INFORMATION

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. These financial statements include the consolidated balances of all subsidiaries (note 20) however the Company does not have any material subsidiaries as at December 31, 2023. Spartan’s common shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “SDE”. The Company’s head office is located at 1600, 308 – 4th Avenue S.W., Calgary, Alberta T2P 0H7 and its registered office address is 4200 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

On November 30, 2022, Spartan announced a formal process to evaluate strategic repositioning alternatives to enhance shareholder value (the “Repositioning Process”). The scope of the Repositioning Process was extensive and considered 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 Spartan shareholders or any combination of these potential alternatives in conjunction with a return of capital strategy.

On March 28, 2023, Spartan announced the conclusion of the strategic Repositioning Process having reached a definitive purchase and sale agreement (the “Agreement”) with Crescent Point Energy Corp. (“Crescent Point”), providing for the sale of the Company’s Gold Creek and Karr Montney assets and associated liabilities for cash consideration of $1.7 billion, subject to customary adjustments as provided for in the Agreement (the “Asset Sale”). The Asset Sale closed on May 10, 2023, with an effective date of May 1, 2023.

Concurrent with the Asset Sale, Spartan also announced a spin-out transaction (the “Spin-Out”) of certain assets and associated liabilities (the “Logan Assets”) predominantly in the Pouce Coupe, Simonette and Flatrock areas, as well as legacy production in the Noel area to a wholly owned subsidiary, Logan Energy Corp. (“Logan”). The Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan (each, a “Logan Share”) and one (1) purchase warrant of Logan per common share of Spartan (“Spartan Share”), and were distributed to eligible Spartan shareholders on July 6, 2023. As of July 6, 2023, Logan is no longer a wholly owned subsidiary of the Company (note 20). The purchase warrants distributed to Spartan shareholders entitled the holder to purchase one (1) Logan Share at an exercise price of $0.35 at any time on or before the close of business on August 14, 2023 (the “Transaction Warrants).

In aggregate, with the proceeds from the Asset Sale and the Spin-Out, the Company distributed $9.50 per Spartan Share (note 12), one Logan Share per Spartan Share, and one Transaction Warrant per Spartan Share (the “Distribution”) to eligible Spartan shareholders.

On July 6, 2023, the Company reduced the stated capital account maintained in respect of the Spartan Shares by $540.4 million. Pursuant to the Distribution, Spartan distributed $479.8 million in cash and $60.6 million in Logan Shares and Logan Transaction Warrants as a return of capital to eligible Spartan shareholders. The balance of the Distribution was distributed to eligible Spartan shareholders as a special dividend which, for Canadian income tax purposes, was designated as an eligible dividend. The $479.8 million return of capital and the eligible dividend are collectively referred to as the “Cash Dividend”.

Refer to note 6 “Acquisitions and Dispositions” and note 20 “Related Party Disclosures” for additional information regarding the Asset Sale, Spin-Out and Distribution (collectively, the “Transaction”).

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated annual financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) up to February 26, 2024.

The Company’s Board of Directors approved these Financial Statements on February 26, 2024.

b) Basis of measurement

Unless otherwise indicated, all references to dollar amounts in these Financial Statements and related notes are in thousands of Canadian dollars (“CA$”), which is the functional and presentation currency of the Company and its subsidiaries.

The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value as detailed in the accounting policies disclosed in note 3 of the Financial Statements.

c) 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. Significant judgements, estimates and assumptions made by management in these Financial Statements are discussed below.

i. 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. Where an acquisition involves a group of assets and liabilities, and does not constitute a business, the acquirer must identify and recognize the individual assets acquired and liabilities assumed. The cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase.

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 and property, plant and equipment (“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.

ii. 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 capital (“FDC”) 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 E&E assets to PP&E.

Spartan’s reserves have been evaluated by independent qualified reserves evaluators as at December 31, 2023 and December 31, 2022 in accordance with the Canadian Oil and Gas Evaluation Handbook.

iii. Depletion of crude oil and natural 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.

iv. 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.

v. Determination of cash generating units (“CGUs”)

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, 2023, Spartan has one CGU comprised of the Company's assets located in west central Alberta, the "Deep Basin" CGU. As at December 31, 2022, Spartan had two CGUs, the Deep Basin CGU and a second CGU comprised of the Company's assets in northwest Alberta as well as minor properties located in northeastern British Columbia, the "Montney" CGU. The assets of the Montney CGU were disposed of in the second quarter of 2023 in connection with the Transaction (note 6).

vi. 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 cash generating unit or of an individual asset is determined as its fair value less costs of disposal ("FVLCD") or value in use ("VIU"). 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. 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. Details of the specific estimates and assumptions applied in the impairment analysis are provided in note 7 and note 8, respectively.

vii. *Disposal of non-current assets*

Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. The Company has not presented discontinued operations as the associated assets and liabilities in the Asset Sale and the Spin-Out are not a separate line of business or a separate geographical area of operation. A component must also represent a separate major line of business or a geographical segment as defined under IFRS 8 *Operating segments*. In accordance with the Company's accounting policy on reporting segments, Spartan sees its assets as being oil and gas assets in the geographic region of Alberta and does not view these as separate regions for operational purposes. Judgement is required in determining whether 'discontinued operations' accounting is required. As at December 31, 2023, assets and liabilities associated with the Asset Sale and Spin-Out that were previously disclosed as assets and liabilities held for sale/ distribution have been disposed (note 6).

viii. 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.

ix. Fair value of financial instruments

The estimated fair value of derivative financial instruments is reliant upon several variables 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 gains or losses can result in volatility of net income or loss. A sensitivity of the potential change in fair value of Spartan's outstanding derivative financial instruments as at December 31, 2023 is provided in note 4.

x. Leases

Management applies judgement in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgement and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to Spartan's company-specific incremental borrowing rate. This rate represents the rate that Spartan would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment. Refer to note 9 for additional information.

xi. 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.

Judgement is required to determine an accounting policy to recognize deferred income tax assets that were not previously recognized. Under IFRS Accounting Standards, 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.

A detailed analysis of the provision for deferred income taxes in provided in note 13 of these Financial Statements.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted by the Company are set out below.

a) Basis of consolidation

The Financial Statements include the accounts of Spartan and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's subsidiary is not individually or, in aggregate, material to the Financial Statements. The financial statements of the Company's subsidiary is prepared for the same reporting period as Spartan, using uniform accounting policies. The subsidiary financial statements are consolidated from the date of acquisition of control and continue to be consolidated until the date there is a loss of control. All intercompany balances, revenues and expenses are eliminated on consolidation. As at December 31, 2023, Spartan had no subsidiaries and as at December 31, 2022 Spartan had one wholly owned subsidiary (note 20).

b) Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash held on deposit and/or short-term investments with original maturities of three months or less at the time of purchase. Restricted cash represents unpaid dividend amounts whereby shareholders have yet to meet eligibility requirements (note 12).

c) Financial instruments

Classification and measurement of financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Consolidated Statements of Financial Position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in Spartan's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition. Subsequent measurement is dependent on the financial instrument's classification.

Amortized Cost

Cash and cash equivalents, restricted cash, accounts receivable, deposits, other current assets, accounts payable and accrued liabilities, dividends payable, lease obligations and long-term debt are measured at amortized cost. The contractual cash flows received from financial assets are payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. Financial assets and liabilities classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

FVTPL

The Company's risk management contracts are measured initially at FVTPL and are subsequently measured at fair value with changes in fair value immediately recognized in the Consolidated Statements of Net Income and Comprehensive Income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible.

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy.

Impairment of financial assets

An impairment of financial assets is recognized using an Expected Credit Loss ("ECL") model. Accounts receivable are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and days past due.

The Company uses judgement in making these assumptions and selecting the inputs into the expected loss calculation based on historically realized bad debts, evidence of a debtor's present financial condition, existing market conditions and forward-looking estimates. The ECL is assessed at initial recognition and this provision is re-assessed at each reporting date. ECLs are a probability-weighted estimate of possible default events related to the financial asset and are measured as the difference between the present value of the cash flows due to the Company and the cash flows expected to be received.

d) Exploration and Evaluation Assets and Property, Plant and Equipment

Exploration and evaluation expenditures

E&E costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to profit or loss as exploration expense in the period incurred. The Company did not incur pre-license costs in the current or prior period.

When a project classified as E&E is determined to be commercially viable and technically feasible and reserves have been assigned, the relevant costs are transferred from E&E to PP&E. E&E costs for which the underlying mineral lease or other asset has expired, or is expected to expire prior to development, are expensed to profit or loss.

E&E assets are assessed for impairment upon transfer to PP&E or when facts and circumstances suggest that the carrying amount may exceed the estimated recoverable amount. If it has been determined there has been an impairment, the impairment will be charged to the Consolidated Statements of Net Income and Comprehensive Income in the period incurred.

Disposals may occur when the Company enters into an agreement with another party to sell an entire or partial E&E property. In the event of a partial disposal, the net book value is determined at the area-level and a corresponding gain or loss is recognized in the Consolidated Statement of Net Income and Comprehensive Income.

Non-producing assets classified as E&E are not depleted.

Development and Production ("D&P") Assets

All costs directly associated with the development of crude oil and natural gas reserves are capitalized to their respective depletable area. These costs may include certain overhead charges including cash and share-based compensation paid to personnel dedicated to capitalized projects. Overhead charges are capitalized to PP&E using a specific identification methodology. Share-based compensation expense is capitalized consistently with other employee benefits.

Development costs include expenditures for depletable areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of E&E assets.

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as oil and natural gas interests only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are recognized in the Consolidated Statements of Net Income and Comprehensive Income as incurred.

Gains and losses on disposal of an item of PP&E, including oil and natural gas assets, are determined by comparing the proceeds from disposal with the carrying amount of the PP&E and are recognized as a gain or loss on sale of assets in the Consolidated Statements of Net Income and Comprehensive Income.

Depletion of D&P assets

D&P assets are depleted using a unit-of-production method based on:

- Total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101");
- Total capitalized costs including estimated FDCs of proved plus probable reserves; and
- Production volumes, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil.

PP&E other than D&P assets

PP&E other than D&P assets are stated at cost, less accumulated depreciation and historical impairments. Depreciation is provided at rates estimated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

- Office equipment – 3 years straight line
- Vehicles – 5 years straight line

Impairment

An impairment test is performed when events and circumstances indicate that the carrying value of the asset or CGU may exceed the estimated recoverable amount. The recoverable amount is the higher of the FVLCD and the VIU. In assessing the FVLCD for oil and natural gas assets, the estimated future net cash flows associated with the CGUs are used based on management's best estimate of reserves. An impairment expense is charged to the Consolidated Statements of Net Income and Comprehensive Income to the extent that the expected recoverable amount exceeds the net book value with a corresponding decrease in the asset value on the Consolidated Statement of Financial Position.

Impairment losses from prior periods are assessed at each reporting period end for indications that the impairment loss no longer exists or has decreased. Impairment losses are reversed if there is a change in the estimates used to determine the recoverable amount which causes the recoverable amount to exceed the carrying amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depletion and depreciation expense that would have resulted had an impairment not been recorded.

e) Assets held for sale or distribution

Non-current assets (and disposal groups) classified as held for sale or distribution are measured at the lower of carrying value and FVLCD. Non-current assets and disposal groups are classified as held for sale or distribution if it is highly probable that their carrying values will be recovered through a sale transaction or asset distribution rather than through continuing use. The sale or asset distribution is highly probable when the asset (or disposal group) is available for immediate sale or distribution in its present condition, with Management committed to the sale and is expected to be completed within one year from the date of classification.

Assets held for sale or distribution are measured at the lower of carrying value or the estimated recoverable amount where the estimated recoverable amount is determined as the greater of FVLCD and the value in use. An impairment expense is charged to the Consolidated Statements of Net Income and Comprehensive Income to the extent that the expected recoverable amount exceeds the net book value with a corresponding decrease in the asset value on the Consolidated Statement of Financial Position.

Distribution of assets

Spartan's Board may, in its sole discretion, determine whether to distribute assets to shareholders. A liability for distribution of assets to shareholders is recognized when the distribution is approved by the Spartan Board. The distribution will be measured at the fair value of the assets to be distributed. Upon settlement of the distribution payable, the difference between the carrying amount of the assets distributed and the carrying value of the distribution will be recognised as a gain or loss in the Consolidated Statements of Net Income and Comprehensive Income.

The distribution of Logan was recorded as at June 30, 2023 and subsequently settled on July 6, 2023 (note 6).

f) Joint operations

A portion of the Company's exploration, development and production activities is conducted jointly with others through unincorporated joint ventures. These Financial Statements reflect only the Company's proportionate interest of these jointly controlled assets and the proportionate share of the relevant revenue and related costs.

g) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, the lease liability is recognized at the present value of the future lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate. A corresponding right-of-use ("ROU") asset will be recognized at the amount of the lease liability, adjusted for any lease incentives received and initial direct costs incurred. Over the term of the lease, financing expense is recognized on the lease liability using the effective interest rate method and charged to net income, lease payments are applied against the lease liability and depreciation on the ROU asset is recorded by class of underlying asset.

The lease term is the non-cancellable period of a lease and includes periods covered by an optional lease extension option if reasonably certain the Company will exercise the option to extend. Conversely, periods covered by an option to terminate are included if the Company does not expect to end the lease during that time frame. Leases with a term of less than twelve months or leases for underlying low value assets are recognized as an expense in net income on a straight-line basis over the lease term.

A lease modification will be accounted for as a separate lease if it materially changes the scope of the lease. For a modification that is not a separate lease, on the effective date of the lease modification, the Company will remeasure the lease liability and corresponding ROU asset using the interest rate implicit in the lease or the Company's incremental borrowing rate. Any variance between the remeasured ROU asset and lease liability will be recognized as a gain or loss in net income to reflect the change in scope.

h) Decommissioning obligations

Provisions for decommissioning obligations are recognized when the Company has an obligation to dismantle and remove a facility or abandon a well and restore the site on which it is located. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements using a risk-free rate. An equivalent amount is capitalized as part of the cost of the related asset. On a periodic basis, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset.

The capitalized amount in PP&E is depreciated on a unit-of-production basis over the life of the associated proved plus probable reserves. The present value of the long-term liability is accreted up to the expected settlement value at each reporting period to reflect the passage of time. The associated accretion charge is recognized in the Consolidated Statements of Net Income and Comprehensive Income as a financing expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision.

i) Revenue recognition

Spartan generates revenue primarily from the sale of crude oil, condensate, natural gas, and natural gas liquids (“NGLs”). Revenue is recognized at the point in time when control of the product has been transferred to the customer and performance obligations have been satisfied. This is generally met when the customer obtains legal title to the product and physical delivery at a delivery point has taken place. Revenue is measured based on the consideration specified in the contracts the Company has with its customers. The transaction price under the contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms.

Spartan evaluates its arrangements with third parties and partners to determine if the Company acts as a principal or as an agent. In making this evaluation, management considers if Spartan obtains control of the product delivered, which is indicated by Spartan having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Spartan acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by the Company from the transaction.

Processing fees charged to other entities for use of pipelines and facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Processing fees charged to other entities under contracts with customers are recognized in revenue when the related services are provided.

j) Transportation

Costs paid by Spartan for the transportation of crude oil, condensate, natural gas and NGLs to the point of control transfer are recognized when the transportation is provided.

k) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under government grant programs related to income are deducted in reporting the related expense and are recorded in the period in which eligible expenses were incurred or when the services have been performed.

l) Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3. Management's determination of whether a transaction constitutes a business combination or an asset acquisition is determined based on the criteria in IFRS 3. The identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The decommissioning obligations associated with the acquired property is subsequently re-measured at the end of the reporting period using a risk-free discount rate, with any changes recognized in the decommissioning liabilities and PP&E on the Consolidated Statements of Financial Position. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, a gain on business combination is recognized immediately in net income or loss. Any deferred tax asset or liability arising from the business combination is recognized at the acquisition date. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the Financial Statements from the closing date of acquisition.

m) Taxation

The provision for (recovery of) income tax is comprised of current and deferred income taxes and is recognized in the Consolidated Statements of Net Income and Comprehensive Income, except to the extent that it relates to a business combination or items recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The liability is measured based on an assessment of possible outcomes and their associated probabilities.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In a transaction to acquire a corporation that is not a business combination, and for which the only significant item acquired is tax loss carryforwards or other tax attributes that do not arise as a result of temporary differences from assets or liabilities recognised in the acquisition, the initial recognition exemption in IAS 12 *Income Taxes* does not apply. Accordingly, the Company recognizes the deferred tax asset to the extent that it is probable the tax loss carryforwards can be utilized, which qualifies for recognition at the time of acquisition as a recovery of deferred income tax expense.

The accounting for an asset acquisition may give rise to an unrecognized deferred income tax asset on initial recognition. The previously unrecognized deferred income tax asset is subsequently recognized in net income in proportion to the estimated amount of taxable income generated in each period or when it is probable that future taxable profits will be available against which unused tax losses can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized in the same manner as unrecognized tax assets and is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Share-based compensation

The Company's share-based compensation plan allows for the granting of equity-settled awards in connection with the Company's stock option plan, restricted share awards ("RSA") and performance share awards ("PSA") to directors, officers, employees and consultants of the Company in connection with the Company's share award incentive plan. Details regarding the share award incentive plan are provided in note 12(e). The share award incentive plan allows the holder of an RSA or PSA to receive a cash payment or its equivalent in fully-paid common shares, at the Company's discretion, equal to the fair market value of the Company's common shares calculated at the date of such payment.

Equity-settled share-based compensation is measured at the fair value of the equity instruments at the grant date and is estimated using a Black-Scholes model that takes into account, as of the grant date, the exercise price, expected life, current price, expected volatility and risk-free interest rates. The fair value determined at the grant date is expensed over the vesting period with a corresponding increase in contributed surplus.

A forfeiture rate is estimated on the grant date. The forfeiture rate is reviewed each reporting period and adjusted to reflect the actual number of awards expected to vest. The impact of the revision in estimate, if any, is recognized in the Consolidated Statements of Net Income and Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. Any consideration paid to the Company on the exercise is credited to share capital.

The Company may issue warrants in conjunction with financings. The fair value of the warrants issued is also estimated using a Black-Scholes model and recorded in shareholders' equity. Any consideration paid to the Company on the exercise of warrants along with the fair value of warrants is credited to share capital.

On March 28, 2023, Spartan announced that the Board approved the accelerated vesting of all outstanding RSAs ("the Cash Settled RSAs") and outstanding options, conditional upon the closing of the Asset Sale (note 1). Additionally, the Board confirmed that all issued and outstanding share awards would be settled on a cash basis. The intention of the Board to settle all outstanding Cash Settled RSAs in cash required the RSAs to be accounted for as a liability as of the date of modification. On initial recognition, the fair value of the liability is determined based on the elapsed portion of the accelerated vesting period with a corresponding increase recorded to shareholders' equity. The liability is remeasured at subsequent reporting dates until the liability is fully discharged. Any fluctuations in the fair value are recognized within share-based compensation expense with a corresponding charge to the liability. As of December 31, 2023, the share-based compensation liability was fully settled. Details regarding the modification, acceleration and extinguishment are provided in note 12(e).

On August 2, 2023, Spartan announced the granting of equity-settled awards in connection with the Company's stock option plan and RSA's to directors, officers, employees and consultants of the Company and Spartan does not intend to make cash payments under the plan and, as such, the RSAs granted under the plan are accounted for within shareholders' equity as equity-settled awards.

o) Net income per share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. For the diluted net income per share calculation, the weighted average number of common shares outstanding is adjusted for the potential number of common shares which may have a dilutive effect on net income per share. The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

p) New Accounting policies

IAS 12, Income Taxes

On January 1, 2023, Spartan adopted the amendments to IAS 12 *Income Taxes* requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact upon initial adoption.

q) Future Accounting Changes

Spartan plans to adopt the following amendment to the IFRS Accounting Standards that are effective for annual periods beginning on or after January 1, 2024. The below accounting pronouncement will be adopted on its effective date however Spartan does not expect to have a material impact upon initial adoption.

IAS 1, Presentation of Financial Statements

In October 2022, the IASB amended IAS 1 *Presentation of Financial Statements* to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2023 and December 31, 2022, financial instruments of the Company include cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable and accrued liabilities, dividends payable, derivative financial instruments and long-term debt. The fair values of these financial assets and liabilities, excluding debt, approximate their carrying value due to the short term to maturity of those instruments. The fair value of debt approximates its carrying value given it bears floating rates of interest (note 11). The methodology used to determine the fair value for the Company's derivative financial instruments is described further in this note. Lease liabilities are financial liabilities measured at amortized cost.

The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk, in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Net income, cash flows and the fair value of financial assets and liabilities may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks.

Risk Management Overview

Spartan's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. The Company uses derivative financial instruments 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: (i) the contracts are not entered into for solely speculative purposes; (ii) the aggregate quantity hedged, at the time of entering into the contract, does not exceed 75% of future forecasted average daily production; and (iii) the contracted term does not exceed 36 months.

a) Credit Risk

The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, deposits and derivative financial instrument assets represent the Company's maximum credit exposure. Cash and cash equivalents and restricted cash are held on deposit with Canadian chartered banks and collection risk on derivative financial instrument assets is mitigated by a cross-default provision under the Credit Facility (defined herein). The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

The composition of the Company's accounts receivable is set out in the following table:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Oil and gas marketers	**40,108**	129,853
Joint venture partners	**9,332**	10,560
Accrued Interest	**1,235**	-
Accounts receivable	**50,675**	140,413

During the year ended December 31, 2023, sales to three oil and gas marketers represented more than 10% of revenue. Sales to these marketers account for approximately 84% of total oil and gas sales revenue (before royalties) in the year ended December 31, 2023. During the previous year ended December 31, 2022, sales to one marketer accounted for approximately 38% of total oil and gas sales revenue (before royalties). Spartan's oil and gas marketers are primarily large, credit-worthy institutions.

The aging of the Company's accounts receivable is summarized as follows:

(CA$ thousands)	Current	30-60 days	61-90 days	Over 90 days	Total
Balance at December 31, 2023	**45,466**	**1,353**	**961**	**2,895**	**50,675**
Balance at December 31, 2022	135,140	2,953	1,306	1,014	140,413

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 receivables 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. Management has reviewed past due accounts receivable balances as at December 31, 2023 and expects the accounts to be collectible, except for approximately $1.3 million of accounts receivable which are provided for in the expected credit loss provision ($1.6 million at December 31, 2022).

b) Liquidity Risks

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at December 31, 2023 include accounts payable, dividends payable and long-term debt. In addition, the Company has financial commitments in respect of lease liabilities (note 9).

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. During the second quarter of 2023, Spartan amended its Credit Facility and Term Facility (defined herein), pursuant to which, the authorized borrowing base of the Credit Facility was reduced from $450.0 million to $250.0 million and the maturity date of the second lien term facility (the "Term Facility") was accelerated to December 29, 2023. The Term Facility has been fully repaid and extinguished from the Consolidated Statement of Financial Position. As at December 31, 2023, Spartan had $45.1 million drawn on the revolving Credit Facility (the "Credit Facility") with an authorized borrowing amount of $250.0 million (note 11).

The Company has sufficient liquidity for the next 12 months as current cash balances of $151.3 million (cash and restricted cash), future cash flow from operations and access to the remaining undrawn Credit Facility is expected to be sufficient to meet the Company's financial obligations (including the dividends payable).

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at December 31, 2023:

(CA$ thousands)	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	86,265	-	-	-	86,265
Dividends payable (note 12)	150,864	-	-	-	150,864
Credit Facility (1) (note 11)	4,615	42,686	-	-	47,301
Undiscounted lease liabilities (2) (note 9)	11,256	21,042	5,497	1,607	39,402
Total	**253,000**	**63,728**	**5,497**	**1,607**	**323,832**

(1) The Credit Facility (defined in note 11) has $45.1 million drawn as at December 31, 2023. The table above includes estimated interest and standby charges to be incurred on the $45.1 million drawn balance to May 30, 2024, being the end of the current revolving period.

(2) As at December 31, 2023, the present value of the Company's total lease liability is $35.2 million, of which $9.5 million in principal repayments are expected to be settled in the next twelve months.

c) 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 risk management policies.

Commodity price risk

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 price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. 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.

As at December 31, 2023, Spartan has commodity price risk management contracts in place to protect cash flows and project economics. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. As a result, all such financial commodity contracts are recorded on the Consolidated Statements of Financial Position at fair value, with changes in the fair value being recognized as an unrealized gain or loss through the Consolidated Statements of Net Income and Comprehensive Income.

The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as at December 31, 2023:

	Natural Gas (1)			
	NYMEX – AECO 7A Basis Swaps – Short (2)		AECO 7A Swaps (3)	
Period	Volume mmbtu/d	US$/ mmbtu	Volume GJ/d	CA$/ GJ
Q1 2024	20,000	($1.00)	25,000	$3.01
Q2 2024	25,000	($1.00)	25,000	$3.01
Q3 2024	10,000	($1.04)	25,000	$3.01
Q4 2024	10,000	($1.04)	44,891	$3.35
Q1 2025	-	-	30,000	$3.78
Q2 2025	-	-	30,000	$3.51
Q3 2025	-	-	30,000	$3.51
Q4 2025	-	-	10,109	$3.51
Asset	**$0.7 million**		**$ 17.4 million**	

(1) The prices and volumes in this table represent averages for contracts represented in the respective periods.
(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(3) AECO 7A swaps are settled the first day of the month based on a weighted average of the previous month's fixed price trades.

Subsequent to December 31, 2023, Spartan rebalanced its AECO 7A positions and entered into C$WTI Swaps (see note 21 for more details).

Foreign exchange risk

Currency risk is the risk that future cash flows will change as a result of fluctuations of the Canadian to U.S. dollar exchange rate. Spartan is exposed to currency risk given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The Company is also exposed to currency fluctuations through its U.S. dollar denominated derivatives and commodity sales. In addition, Spartan is exposed to currency risk on U.S. cash, accounts receivable and accounts payable balances, however the Company's currency exposure based on U.S. dollar denominated working capital balances outstanding at December 31, 2023 and at December 31, 2022 was not significant.

The table below summarizes the realized and unrealized component of the foreign exchange gain (loss) during the years:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Realized foreign exchange gain (loss)	**(411)**	930
Unrealized foreign exchange gain (loss)	**(165)**	168
Foreign exchange gain (loss)	**(576)**	1,098

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. The Company had contracts which fixed the U.S. dollar exchange rate at $1.34 on a notional US$9.0 million per month from October 1, 2023 to December 31, 2023. The foreign exchange contract was completed in December 31, 2023 (December 31, 2022 – liability of $0.8 million).

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on long-term debt which bears floating rates of interest. Under the Credit Facility (note 11), interest rates fluctuate based on the bank prime rate plus an applicable margin, which varies based on the Company's net debt to cash flow ratio each quarter. Based on the balance of long-term debt outstanding at December 31, 2023, an increase (decrease) in the market rate of interest by 50 basis points would increase (decrease) annualized interest expense by approximately $0.2 million.

Summary of derivative financial instrument assets and liabilities

The fair value of the Company's outstanding risk management contracts resulted in a net derivative financial instrument asset of $18.1 million at December 31, 2023, compared to a net asset of $33.0 million at December 31, 2022. The change in the Company's derivative financial instruments assets and liabilities is summarized below:

(CA$ thousands)	**Current**	**Long-term**	**Total**
Balances at December 31, 2023:			
Derivative financial instrument assets	**11,889**	**6,171**	**18,060**
Derivative financial instrument liabilities	**-**	**-**	**-**
Net asset	**11,889**	**6,171**	**18,060**
Balances at December 31, 2022:			
Derivative financial instrument assets	33,845	-	33,845
Derivative financial instrument liabilities	(818)	-	(818)
Net asset	**33,027**	**-**	**33,027**
Reconciliation of net change during the year:			
Unrealized loss recognized in net income			(29,978)
Settlement of acquired derivative liabilities (1)			15,011
Total change in derivative financial instruments			**(14,967)**

(1) The Company acquired a derivative financial instrument liability with a fair value of $94.2 million on August 31, 2021, of which $79.2 million was subsequently settled up to and including the year ended December 31, 2022 and $15.0 million was settled during the year ended December 31, 2023. As at December 31, 2023, the acquired derivative liabilities have been fully settled.

The fair values of derivative financial instruments are designated as Level 2 in the fair value hierarchy and are highly sensitive to changes in underlying commodity prices. The table below illustrates the stand-alone impact of changes in specified benchmark prices and differentials on net income before income taxes, holding all other variables constant, of risk management contracts in place as at December 31, 2023:

(CA$ thousands)	Change in price / differential	Positive movement	Negative movement
NYMEX HH-AECO 7A Basis [(1)]	+/- US$ 0.10 per mmbtu	(784)	784
AECO 7A	+/- CA$ 0.25 per GJ	(5,025)	5,025

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

Gains and losses on derivative financial instruments

The table below summarizes the realized and unrealized component of gains and losses on the Company's derivative financial instruments during the years:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Realized gain (loss)	**83,324**	(82,484)
Unrealized gain (loss)	**(29,978)**	51,567
Gain (loss) on derivative financial instruments	**53,346**	(30,917)

Offsetting of financial instruments

Financial assets and liabilities are only offset in the Consolidated Statements of Financial Position if the Company has the legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Spartan offsets derivative financial instrument assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same.

	Carrying Value ("CV")		
Balance as at December 31, 2023	Gross	Netting	Net CV
Financial assets			
Derivative financial instruments	**18,060**	**-**	**18,060**
Financial liabilities			
Derivative financial instruments	**-**	**-**	**-**

	Carrying Value ("CV")		
Balance as at December 31, 2022	Gross	Netting	Net CV
Financial assets			
Derivative financial instruments	46,880	(13,035)	33,845
Financial liabilities			
Derivative financial instruments	(818)	-	(818)

5. OTHER CURRENT ASSETS

In August 2022, the Company entered into an agreement (the "August 2022 Agreement") with an industry partner to construct infrastructure in its core operating area at Gold Creek, Alberta. As of May 10, 2023, the August 2022 Agreement was transferred to Crescent Point in connection with the Asset Sale (note 6) resulting in a disposal of the other current assets on the Consolidated Statements of Financial Position (December 31, 2022 - $2.3 million).

6. ACQUISITIONS AND DISPOSITIONS

2023 Dispositions

(i) Logan Energy Corp. Share Distribution

The Logan Assets were reclassified to assets held for distribution at March 31, 2023 as it was determined the Spin-Out was highly probable to be completed in the upcoming twelve months. Immediately prior to the reclassification, an impairment analysis was completed which resulted in an impairment of $28.6 million, comprised of an E&E impairment of $21.0 million (note 7) and a PP&E impairment of $7.6 million (note 8). Prior to the completion of the Spin-Out, the Company recorded a further PP&E impairment of $5.3 million (note 8) and during the third and fourth quarter of 2023, the Company adjusted the fair value of net assets disposed as a result of post-closing adjustments and recognized an impairment reversal of $1.7 million. The Company transferred the Logan Assets and associated liabilities to Logan in exchange for Logan Shares and the Transaction Warrants, valued at $60.6 million. The Logan Shares and the Transaction Warrants were distributed to eligible Spartan shareholders (note 1) on July 6, 2023 at which time Logan ceased to be a wholly owned subsidiary.

Logan Share Distribution

(CA$ thousands)	**Total**
Share distribution	**60,620**
Net working capital	661
Right-of-use assets	234
Property, plant and equipment	81,805
Exploration and evaluation assets	6,931
Lease liabilities	(206)
Decommissioning obligations	(28,805)
Fair value of net assets disposed	**60,620**

(ii) Asset Sale to Crescent Point

On March 27, 2023, Spartan entered into the Agreement with Crescent Point providing for the Asset Sale of the Company's Gold Creek and Karr Montney properties. These assets and related liabilities were classified as held for sale within the Financial Statements as at March 31, 2023 and on May 10, 2023, the Asset Sale closed for cash proceeds of $1.7 billion before customary closing adjustments. The proceeds were held in 5% interest bearing deposit accounts with Canadian chartered banks until July 6, 2023 when the $9.50 per share Cash Dividend was paid (note 1).

Asset Sale to Crescent Point

(CA$ thousands)	**Total**
Purchase price	**1,700,000**
Adjustments	**1,849**
Cash consideration, after adjustments	**1,701,849**
Net working capital	247
Other current assets	7,945
Right-of-use assets	2,338
Property, plant and equipment	1,126,404
Exploration and evaluation assets	78,862
Other liabilities	(16,487)
Lease liabilities	(2,283)
Decommissioning obligations	(38,228)
Carrying value of net assets disposed	**1,158,798**
Gain on sale of assets	**543,051**

(iii) Other

During the year ended December 31, 2023, the Company recorded other minor dispositions including the sale of casing for $2.4 million, disposition of vehicles for cash proceeds of $0.2 million, with a gain on disposition of $0.1 million recognized (note 8) and recognized other minor final statement of adjustments from prior 2022 transactions.

2023 Acquisitions

During the fourth quarter of 2023, Spartan completed a series of acquisitions in the West Shale Basin Duvernay (the "Duvernay").

- On November 1, 2023, Spartan closed an acquisition of producing crude oil and natural gas properties, undeveloped land and seismic for cash consideration of $17.7 million after closing adjustments (the "Gilby Acquisition").
- On November 28, 2023, Spartan closed an acquisition of producing crude oil and natural gas assets and undeveloped land for cash consideration of $7.6 million after closing adjustments (the "Pembina Acquisition").
- On December 15, 2023, Spartan closed an acquisition of undeveloped land located at Willesden Green, Alberta, for cash consideration of $7.1 million after closing adjustments (included in "Other"). This acquisition does not meet the definition of a business combination and has been accounted for under IFRS 3 as an asset acquisition.
- The Company completed other minor acquisitions during the year ended December 31, 2023 for total cash consideration of $2.0 million

The table below summarizes the aggregate total consideration and estimated fair value of the identifiable assets acquired and liabilities assumed on the respective closing dates:

2023 ACQUISITION SUMMARY *(CA$ thousands)*	**Gilby Nov 1/23**	**Pembina Nov 28/23**	**Other Various**	**Total 2023**
Cash consideration, after adjustments	**17,702**	**7,595**	**9,056**	**34,353**
Exploration and evaluation assets	10,765	1,922	8,683	21,370
Property, plant and equipment	8,218	7,126	373	15,717
Decommissioning obligations	(1,281)	(1,453)	-	(2,734)
Fair value of net assets acquired	**17,702**	**7,595**	**9,056**	**34,353**
Gain on Acquisition	**-**	**-**	**-**	**-**

(i) Gilby Acquisition

Spartan assessed and determined the Gilby Acquisition to constitute a business combination in accordance with IFRS 3 and the PP&E acquired was valued using FVLCD methodology (Level 3 fair value measurement) using the present value of the expected future cash flows after-tax. The expected future cash flows used in the FVLCD calculation were derived from a reserve report on the acquired oil and gas reserves, which was prepared by an independent qualified reserve evaluator. The cash flow estimates derived from the independent reserve report were internally updated to be more representative of Spartan's anticipated development plan for the acquired assets.

The undiscounted amount of decommissioning obligations acquired pursuant to the Gilby Acquisition is estimated to be approximately $3.9 million ($6.2 million inflated at 2.08%). The fair value of decommissioning obligations acquired of $1.3 million was estimated by discounting the inflated cost estimates using a "credit-adjusted risk-free rate" of 8.71% on the closing date. The obligations acquired were subsequently remeasured in accordance with the Company's accounting policy, whereby decommissioning obligations are discounted using a "risk-free rate". Remeasurement of the decommissioning obligations acquired at a risk-free rate of 3.74% on November 1, 2023, resulted in an increase in the present value of decommissioning obligations acquired by $1.5 million and a corresponding increase recorded directly to PP&E.

The Consolidated Statements of Net Income and Comprehensive Income for the year ended December 31, 2023 includes the results of operations for the Gilby Acquisition starting from the closing date. Specifically, Spartan's net income for the year ended December 31, 2023, includes $0.6 million of revenue (after royalties) and $0.3 million of operating income generated from the Gilby Acquisition for the period from November 1 to December 31, 2023. "Operating income" does not have a standardized meaning under IFRS Accounting Standards. For purposes of this pro-forma disclosure, the Company has calculated operating income as revenue (after royalties), less operating and transportation expenses. If the acquisition had occurred on January 1, 2023, pro-forma revenue and operating income is estimated to be approximately $4.5 million and $2.1 million, respectively, for the year ended December 31, 2023. This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

(ii) Pembina Acquisition

Spartan assessed and determined the Pembina Acquisition to constitute a business combination in accordance with IFRS 3 and the PP&E acquired was valued using FVLCD methodology (Level 3 fair value measurement) using the present value of the expected future cash flows after-tax. The expected future cash flows used in the FVLCD calculation were derived from a reserve report on the acquired oil and gas reserves, which was prepared by an independent qualified reserve evaluator. The cash flow estimates derived from the independent reserve report were internally updated to be more representative of Spartan's anticipated development plan for the acquired assets.

The undiscounted amount of decommissioning obligations acquired pursuant to the Pembina Acquisition is estimated to be approximately $2.6 million ($3.6 million inflated at 2.08%). The fair value of decommissioning obligations acquired of $1.5 million was estimated by discounting the inflated cost estimates using a “credit-adjusted risk-free rate” of 8.35% on the closing date. The obligations acquired were subsequently remeasured in accordance with the Company’s accounting policy, whereby decommissioning obligations are discounted using a “risk-free rate”. Remeasurement of the decommissioning obligations acquired at a risk-free rate of 3.38% on November 28, 2023, resulted in an increase in the present value of decommissioning obligations acquired by $0.8 million and a corresponding increase recorded directly to PP&E.

The Consolidated Statements of Net Income and Comprehensive Income for the year ended December 31, 2023 includes the results of operations for the Pembina Acquisition starting from the closing date. Specifically, Spartan’s net income for the year ended December 31, 2023, includes $0.2 million of revenue (after royalties) and $0.1 million of operating income generated from the Pembina Acquisition for the period from November 28 to December 31, 2023. “Operating income” does not have a standardized meaning under IFRS Accounting Standards. For purposes of this pro-forma disclosure, the Company has calculated operating income as revenue (after royalties), less operating and transportation expenses. If the acquisition had occurred on January 1, 2023, pro-forma revenue and operating income is estimated to be approximately $2.5 million and $1.1 million, respectively, for the year ended December 31, 2023. This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

2022 Acquisitions and Dispositions

(i) Bellatrix Corporate Acquisition

On August 9, 2022, Spartan closed the corporate acquisition of Bellatrix Exploration Ltd. (“Bellatrix”) through a court supervised process under the Companies' Creditors Arrangement Act (the "CCAA") for a cash purchase price of $6.0 million (the “Bellatrix Corporate Acquisition”). 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 (note 13).

(ii) Other Acquisitions

During the year ended December 31, 2022, the Company completed minor property acquisitions for cash consideration of $0.7 million. The assets acquired primarily include undeveloped land (note 7). Acquisition costs in 2022 are net of $0.2 million of proceeds from favorable closing adjustments on property acquisitions completed in 2021. The Company also received $1.3 million of aggregate cash proceeds on minor property dispositions resulting in a gain on sale of assets of $2.1 million from the disposition of associated decommissioning liabilities.

7. EXPLORATION AND EVALUATION ASSETS

The Company's E&E assets consist primarily of undeveloped land and seismic. The following table reconciles the change in carrying value during the years:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**104,120**	102,596
Additions	**13,904**	17,255
Acquisitions (note 6)	**21,370**	605
Dispositions (note 6)	**(85,793)**	(3)
Transfers to PP&E (note 8)	**(3,584)**	(9,372)
Expired mineral leases (1)	**(193)**	(6,961)
Impairment (note 6)	**(21,017)**	-
Balance, end of year	**28,807**	104,120

(1) Relates to mineral leases that expired or are expected to expire.

Spartan assessed its E&E assets for potential impairment indicators prior to transferring costs to PP&E and as at December 31, 2023 and December 31, 2022, concluded there are no indicators of impairment.

At March, 31, 2023, the E&E assets associated with the Spin-Out (note 1) were reclassified to held for distribution and assessed for impairment. It was determined that the carrying value of the assets exceeded the FVLCD and an impairment loss of $21.0 million was recorded. The E&E assets associated with the Spin-Out were not a recent development focus of Spartan, with the estimated fair value based on an independent third-party land valuation for the Flatrock property combined with recent land purchases. At July 6, 2023, the remaining carrying value of $6.9 million for the E&E assets associated with the Spin-Out were conveyed and disposed.

8. PROPERTY, PLANT AND EQUIPMENT

The Company's PP&E includes D&P assets and corporate assets. D&P assets include the Company's interests in developed crude oil and natural gas properties, as well as interests in facilities and pipelines.

The following tables reconcile the movements in the cost and accumulated depletion, depreciation and impairment ("DD&I") during the years:

PP&E, at cost *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	1,448,890	1,151	1,450,041
Additions (1)	417,323	616	417,939
Acquisitions (2)	(125)	-	(125)
Dispositions	(125)	(48)	(173)
Transfers from E&E (note 7)	9,372	-	9,372
Changes in decommissioning cost estimates (note 10)	(35,515)	-	(35,515)
Balance at December 31, 2022	**1,839,820**	**1,719**	**1,841,539**
Additions (1)	**281,296**	**325**	**281,621**
Acquisitions (note 6)	**15,717**	**-**	**15,717**
Dispositions	**(1,464,962)**	**(120)**	**(1,465,082)**
Transfers from E&E (note 7)	**3,584**	**-**	**3,584**
Changes in decommissioning cost estimates (note 10)	**15,379**	**-**	**15,379**
Balance at December 31, 2023	**690,834**	**1,924**	**692,758**

(1) During the year ended December 31, 2023, the Company capitalized $2.2 million of general and administrative expenses and $0.5 million of share-based compensation directly related to development activities. For the year ended December 31, 2022, the Company capitalized $3.0 million of general and administrative expenses and $1.0 million of share-based compensation.

(2) The year ended December 31, 2022 includes $0.1 million of PP&E acquisition costs net of $0.2 million of proceeds from favourable closing adjustments on property acquisitions completed in the previous year.

Accumulated DD&I *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	122,199	363	122,562
Depletion and depreciation	194,281	431	194,712
Dispositions	-	(7)	(7)
Balance at December 31, 2022	**316,480**	**787**	**317,267**
Depletion and depreciation	**127,612**	**494**	**128,106**
Dispositions	**(254,290)**	**(35)**	**(254,325)**
Impairment of assets	**11,245**	**-**	**11,245**
Balance at December 31, 2023	**201,047**	**1,246**	**202,293**

Net carrying value	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2022	1,523,340	932	1,524,272
Balance at December 31, 2023	**489,787**	**678**	**490,465**

Future Development Capital expenditures required to develop total proved plus probable reserves in the amount of $1.4 billion are included in the depletion calculation for D&P assets for the year ended December 31, 2023 ($4.0 billion at December 31, 2022).

Impairment of PP&E

Spartan reviews its CGU (CGUs – 2022) for indicators of potential impairment at the end of each reporting period. Spartan assessed its CGU for indicators of potential impairment and concluded there are no indicators of impairment as at December 31, 2023 (December 31, 2022 – no impairment). During the third and fourth quarter of 2023, the Company adjusted the fair value of net assets disposed under the Spin-Out as a result of post closing adjustments and recognized an impairment reversal of $1.7 million in the Consolidated Statements of Net Income and Comprehensive Income.

At June 30, 2023, the assets under the Spin-Out were required to be reported at lower of its carrying amount and fair value less costs to distribute therefore an assessment was performed to determine if the recoverable amount exceeded the carrying value. As a result, the recoverable amount of the asset groups was estimated based on FVLCD methodology, calculated using the present value of the expected future cash flows discounted at 13% after tax. The carrying value of the PP&E assets associated with the Spin-Out exceeded the FVLCD and an impairment loss of $5.3 million was recognized in the Consolidated Statements of Net Income and Comprehensive Income for the three months ended June 30, 2023.

The projected cash flows used in the FVLCD calculation were derived from a report on the Company's oil and gas reserves which was prepared by McDaniel's and Associates, an independent qualified reserve evaluator, as of December 31, 2022 (the "McDaniel's Report 2022"). The projected cash flows derived from the McDaniel's Report 2022 have been updated internally by management to reflect the following changes to key assumptions:

- The long-term forecast for commodity prices and foreign exchange rates was updated based on the escalated combined average price forecast as at June 30, 2023.
- The reserves database was mechanically updated to a reference/discount date of June 30, 2023, such that forecast cash flows for 2023 are for the remaining six-month period ending December 2023.

The impairment loss represents the shortfall of the recoverable amount calculated based on the assumptions described above, relative to the carrying value of the assets of $88.5 million before impairment. The recoverable amount estimated pursuant to the FVLCD calculation is sensitive to the discount rate and forecast commodity prices. Holding all other assumptions in the calculation constant:

- if the discount rate increased (decreased) by 1%, the impairment would increase (decrease) by approximately $2.7 million ($2.9 million); and
- if the forecast combined average realized price decreased (increased) by 5%, the impairment would increase (decrease) by approximately $16.0 million.

The forecast future commodity prices, inflation rates and foreign exchange rates (Level 3 fair value inputs) used in the impairment evaluations as at June 30, 2023, reflect the benchmark prices set forth in **Table 1** below, adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

Table 1 – Selected Benchmark Price Forecasts

As at June 30, 2023	2023(1)	2024	2025	2026	2027(2)
WTI Cushing Oklahoma (US$/bbl)	72.67	73.63	74.45	76.25	77.77
Edmonton Light Crude Oil ($/bbl)	92.89	92.40	93.58	95.04	96.94
NYMEX Henry Hub (US$/MMBtu)	2.93	3.71	4.10	4.19	4.27
AECO-C Spot ($/MMBtu)	2.77	3.58	4.13	4.19	4.27
Exchange rate (CA$/US$)	0.750	0.758	0.760	0.763	0.763

(1) Prices are for the period of July 1, 2023 to December 31, 2023.

(2) Prices escalate at 2.0% thereafter; CA / US exchange rate is held constant at $0.763 CA$/US$ thereafter.

At March 31, 2023, an impairment review was required for the assets under the Asset Sale and Spin-Out immediately prior to the reclassification from PP&E to assets held for sale or distribution, respectively (note 6). The recoverable amount of the asset groups was estimated based on FVLCD methodology, calculated using the present value of the expected future cash flows discounted at 13% after tax. The estimated recoverable amount of the PP&E under the Asset Sale exceeded the carrying value and were reclassified to assets held for sale with no recognition of an impairment loss. The carrying value of the PP&E assets associated with the Spin-Out exceeded the FVLCD and an impairment loss of $7.6 million was recognized in the Consolidated Statements of Net Income and Comprehensive Income for the three months ended March 31, 2023.

The projected cash flows used in the FVLCD calculation were derived from the McDaniel's Report 2022. The projected cash flows derived from the McDaniel's Report 2022 have been updated internally by management to reflect the following changes to key assumptions:

- The long-term forecast for commodity prices and foreign exchange rates was updated based on the escalated combined average price forecast as at March 31, 2023.
- The reserves database was mechanically updated to a reference/discount date of March 31, 2023, such that forecast cash flows for 2023 are for the remaining nine-month period ending December 2023.

The impairment loss represents the shortfall of the recoverable amount calculated based on the assumptions described above, relative to the carrying value of the assets before impairment ($91.7 million at March 31, 2023). The recoverable amount estimated pursuant to the FVLCD calculation is sensitive to the discount rate and forecast commodity prices. Holding all other assumptions in the calculation constant:

- if the discount rate increased (decreased) by 1%, the impairment would increase (decrease) by approximately $4.3 million ($3.9 million); and
- if the forecast combined average realized price decreased (increased) by 5%, the impairment would increase (decrease) by approximately $17.1 million.

The forecast future commodity prices, inflation rates and foreign exchange rates (Level 3 fair value inputs) used in the impairment evaluations as at March 31, 2023, reflect the benchmark prices set forth in **Table 2** below, adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

Table 2 – Selected Benchmark Price Forecasts

As at March 31, 2023	**2023(1)**	**2024**	**2025**	**2026**	**2027(2)**
WTI Cushing Oklahoma (US$/bbl)	76.83	77.15	76.09	77.61	79.16
Edmonton Light Crude Oil ($/bbl)	99.26	97.18	95.30	96.79	98.73
NYMEX Henry Hub (US$/MMBtu)	3.02	3.71	4.23	4.31	4.40
AECO-C Spot ($/MMBtu)	2.97	3.73	4.25	4.32	4.40
Exchange rate (CA$/US$)	0.744	0.757	0.760	0.763	0.763

(1) Prices are for the period of April 1, 2023 to December 31, 2023.

(2) Prices escalate at 2.0% thereafter; CA / US exchange rate is held constant at $0.763 CA$/US$ thereafter.

9. LEASES

The Company has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. Spartan's lease obligations and corresponding Right-of-Use ("ROU") assets are recognized initially based on the present value of the remaining lease payments, except for certain short-term leases which have been charged to general and administrative expenses or operating expenses, as appropriate depending on the nature of the lease, in the Consolidated Statements of Net Income and Comprehensive Income.

RIGHT-OF-USE ASSETS

The following table reconciles the change in the Company's ROU assets during the period:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Right-of-use asset, at cost		
Balance, beginning of year	**64,043**	64,257
Additions	**2,868**	-
Lease modification	**(1,453)**	(214)
Dispositions (note 6)	**(2,833)**	-
Balance, end of year	**62,625**	64,043
Accumulated depreciation		
Balance, beginning of year	**21,924**	12,468
Depreciation expense	**9,316**	9,456
Dispositions (note 6)	**(261)**	-
Balance, end of year	**30,979**	21,924
Right-of-use asset, net carrying value	**31,646**	42,119

LEASE LIABILITIES

As at December 31, 2023, the present value of the Company's total lease liability is $35.2 million, of which approximately $9.5 million is expected to be settled in the next twelve months. A continuity of the lease obligation is provided below:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Lease liabilities		
Balance, beginning of year	**45,495**	54,796
Additions	**2,868**	-
Lease payments	**(11,985)**	(11,949)
Financing cost (note 15)	**2,380**	2,862
Lease modification	**(1,037)**	(214)
Dispositions (note 6)	**(2,489)**	-
Balance, end of year	**35,232**	45,495
Expected to be settled within one year	**9,469**	9,450
Expected to be settled beyond one year	**25,763**	36,045

A contractual maturity of the undiscounted payments due under the Company's lease agreements is provided in note 4 of these Financial Statements.

The Company has short term leases in place primarily for equipment with contract terms less than twelve months, expensed within operating expenses. The total amount expensed in respect of short-term leases was approximately $3.2 million during the year ended December 31, 2023 (December 31, 2022 – $6.2 million).

10. DECOMMISSIONING OBLIGATIONS

Decommissioning liabilities arise as a result of the Company's net ownership interests in crude oil and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**128,602**	171,845
Obligations incurred	**3,057**	4,352
Obligations acquired (note 6)	**2,734**	145
Discount rate adjustment on obligations acquired (note 6)	**2,302**	-
Obligations disposed	**(67,033)**	(1,118)
Obligations settled	**(6,373)**	(5,018)
Obligations settled through government grant (1)	**(3,098)**	(5,252)
Changes in discount rate	**5,982**	(44,944)
Changes in estimates	**4,038**	5,077
Accretion (note 15)	**2,759**	3,515
Balance, end of year	**72,970**	128,602
Expected to be settled within one year	**3,650**	5,800
Expected to be settled beyond one year	**69,320**	122,802

(1) Funding earned through the Alberta provincial government Site Rehabilitation Program is recognized as "other income" in the Consolidated Statements of Net Income and Comprehensive Income during the year ended December 31, 2023 and 2022.

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at December 31, 2023, the total undiscounted amount of the estimated cash flows required to settle the obligation is $89.6 million ($155.4 million as of December 31, 2022), of which, Spartan expects to incur approximately $40.4 million over the next 20 years, $47.9 million in 20 to 50 years and the residual thereafter. The estimated inflated undiscounted future cash flows required to settle the obligation is $150.9 million at December 31, 2023 based on an inflation rate of 2.1% on average over the restoration period (December 31, 2022 – $265.8 million based on an inflation rate of 2.3%). 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.

As at December 31, 2023, the carrying amount of the decommissioning obligations is based on a risk-free rate of 3.0% (3.3% at December 31, 2022). The decrease in discount rate resulted in an increase in the carrying amount of decommissioning obligations by $6.0 million as at December 31, 2023 compared to December 31, 2022.

11. LONG-TERM DEBT

As at December 31, 2023, debt is comprised of bank debt drawn under the revolving credit facility. The balance of debt is presented net of unamortized issue costs.

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Credit Facility	**45,050**	-
Second lien term facility	**-**	150,000
Unamortized issue costs	**(574)**	(4,820)
Long-term debt	**44,476**	145,180

a) Bank debt

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 $250.0 million, comprised of a $50.0 million operating facility and a $200.0 million syndicated facility. As at December 31, 2023, the Credit Facility was $45.1 million drawn.

The May borrowing base review was concurrently completed with the closing of the Asset Sale on May 10, 2023. The Company amended its Credit Facility pursuant to which the authorized borrowing amount was reduced to $250.0 million, comprised of a $50.0 million operating facility and a $200.0 million syndicated facility. As a result of the reduction, $0.4 million of unamortized issue costs were accelerated and expensed in the second quarter of 2023. The Company completed its November borrowing base review with no changes to the Credit Facility and the next borrowing base redetermination is scheduled for May 2024.

The Credit Facility will have a revolving period of 364 days from May 10, 2023 extendible annually at the request of the Company, subject to approval of the Lenders. If not extended, the facilities will automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period. The borrowing base 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 liability management rating of the Company falling below 2.0 or disposing of material properties.

The Credit Facility is secured by a first fixed and floating charge debenture over all the Company's assets and a general assignment of book debts. Repayments of principal are not required until the maturity date, provided that the borrowings do not exceed the authorized borrowing base and the Company is in compliance with all covenants, representations and warranties.

The Company is subject to certain financial covenants under the amended Credit Facility which include the following:

(A) the maximum funded debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as defined in the credit agreement and below), 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.

The Credit Facility also includes other standard business operating covenants, including but not limited to limitations on acquisitions and dispositions, distributions and hedging arrangements.

Covenant Description(1)		**December 31, 2023**	December 31, 2022
Liability management rating (2)	minimum ratio 2.0 to 1.0	**8.55**	10.59
Funded debt to EBITDA (3)(4)	maximum ratio 2.5 to 1.0	**0.18**	0.18
Asset coverage ratio (5)	minimum ratio 1.5 to 1.0	**10.08**	10.37

(1) The covenants do not have standardized meanings under IFRS Accounting Standards and are calculated in accordance with the definitions in the credit agreements, as described further below.

(2) Environmental liability management rating governing conventional upstream oil and gas wells, facilities, and pipelines for such jurisdiction, as determined in accordance with the rules and regulations of each applicable material jurisdiction and its energy regulator for the period.

(3) The net debt used in the covenant calculation primarily includes long-term debt and working capital. Net debt excludes derivative financial instrument assets and liabilities which are not due and owing at the calculation date and the majority of lease liabilities. Funded debt is equal to the net debt excluding working capital.

(4) The definition of cash flow is generally equivalent to the Company's cash provided by operating activities before changes in non-cash working capital, less the principal portion of lease payments for the calculation period. EBITDA is defined under the Term Facility as the cash flow, plus cash taxes and cash interest expense to the extent deducted in determining net income. The definitions of cash flow and EBITDA are on a 12-month trailing basis, subject to adjustment for certain acquisitions or dispositions in excess of a threshold amount to give effect to the transaction as if it occurred at the beginning of the calculation period, among other potential adjustments.

(5) The asset coverage ratio is an annual covenant calculated 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 strip commodity pricing as at December 31, 2023, divided by the balance of funded debt (footnote 3).

Interest is payable monthly for borrowings through direct advances under the Credit Facility. Interest rates fluctuate based on bank prime plus an applicable margin. Under the Credit Facility, borrowings through the use of bankers' acceptances are also available at the Canadian Dollar Offered Rate plus bank stamping fees. The Company incurs standby fees on the undrawn facility which also fluctuate based on the pricing grid.

During the third quarter of 2023, the demand letter of credit facility which provides Spartan with additional credit capacity to issue letters of credit was reduced from $25.0 million to $10.0 million. 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 are repayable on demand. As at December 31, 2023, there is $1.5 million of issued but undrawn letters of credit under the letter of credit facility (December 31, 2022 - $2.0 million).

b) Second lien term facility

On August 31, 2021, the Company established a $150.0 million non-revolving term facility (the "Term Facility"). During the second quarter of 2023, the Company agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility. On December 29, 2023, Spartan paid $163.5 million to the lender for the principal amount owing, all accrued and unpaid interest and fees, plus the applicable make-whole premium and all other obligations owing to such lender under the Term Facility. The make-whole premium was equal to (i) all future interest payments and (ii) all payments of annual review fees, that would otherwise have been paid had the Term Facility matured on August 31, 2024.

c) Movements in debt

The following table reconciles movements in debt during the years ended December 31, 2023 and December 31, 2022:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**145,180**	387,564
Advances	**45,050**	324,050
Repayments	**(150,000)**	(569,600)
Issue costs incurred	**(518)**	(946)
Amortization of issue costs	**4,764**	2,343
Change in prepaid interest on bankers' acceptances	**-**	1,769
Balance, end of year	**44,476**	145,180

12. SHARE CAPITAL

a) Authorized

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. Common shares carry one vote per share and the right to any dividends declared. The preferred shares may be issued in series, with the directors determining the terms of the preferred shares on a series-by-series basis.

b) Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares or special shares outstanding as of December 31, 2023 (December 31, 2022 – nil).

	Number of common shares (000s)	Amount ($ thousands)
Balance at December 31, 2021	153,214	517,192
Issued for cash on exercise of warrants	15,814	15,814
Transfer value attributed to warrants exercised	-	9,725
Issued for cash on exercise of stock options	1,736	5,619
Transfer value attributed to stock options exercised	-	2,525
Released upon vesting of restricted share awards	646	2,781
Issue costs, net of deferred tax ($3)	-	(9)
Balance at December 31, 2022	**171,410**	**553,647**
Issued for cash on exercise of stock options	**14**	**46**
Cash payment on settlement of stock options	**1,775**	**(8,494)**
Transfer value attributed to stock options exercised/ settled	**-**	**6,888**
Return of capital	**-**	**(540,388)**
Released upon vesting of restricted share awards	**2**	**13**
Balance at December 31, 2023	**173,201**	**11,712**

Dividends

On November 8, 2022, Spartan declared a special cash dividend of $85.7 million ($0.50 per common share) payable on January 16, 2023 to eligible shareholders of record on December 15, 2022. As of December 31, 2023, Spartan has paid $76.7 million of the cash distribution to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $9.0 million continues to be accrued as a financial liability and included in restricted cash.

On May 10, 2023, Spartan declared a special cash dividend of $17.3 million ($0.10 per common share) payable on July 31, 2023 to eligible shareholders of record on July 14, 2023. The special dividend is designated as an eligible dividend for Canadian income tax purposes. As of December 31, 2023, Spartan has paid $15.8 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $1.5 million continues to be accrued as a financial liability and included in restricted cash.

On May 10, 2023, the Company declared a Cash Dividend of $1.65 billion ($9.50 per common share of Spartan) from the cash proceeds of the Asset Sale, payable on July 6, 2023 to eligible shareholders of record on June 20, 2023. The Cash Dividend is a combination of a return of capital and an eligible dividend for Canadian income tax purposes. As of December 31, 2023, Spartan has paid $1.51 billion of the Cash Dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $140.4 million continues to be accrued as a financial liability and included in restricted cash.

On July 6, 2023, the Company reduced the stated capital account maintained in respect of the Spartan Shares by $540.4 million. Pursuant to the Distribution, Spartan distributed $479.8 million in cash (as part of the $1.65 billion noted above) and $60.6 million in Logan Shares and Logan Transaction Warrants as a return of capital to eligible Spartan shareholders. The Distribution was paid to eligible Spartan shareholders as a special dividend which, for Canadian income tax purposes, was designated as an eligible dividend.

All dividend payments are subject to shareholders meeting certain eligibility requirements.

c) Warrants

During the year ended December 31, 2022, all outstanding warrants were exercised for aggregate cash proceeds of $15.8 million at an average price of $1.00/share. There were no warrants outstanding as of December 31, 2023 and December 31, 2022.

d) Stock options

The Company has a stock option plan under which options to purchase common shares may be granted to officers, directors, employees and consultants. The Board has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants of the stock option and share award plans. All stock options have a maximum term of five years and the vesting period for each grant is determined at the discretion of the Board. On August 2, 2023, the Company granted options under the stock option plan.

On March 28, 2023, in connection with the Transaction (note 1), the Company announced that the Board contemporaneously approved accelerating the vesting of the issued and outstanding options and share awards (note 12(e)). All outstanding options fully vested after closing of the Asset Sale on May 10, 2023. The outstanding options were settled on May 19, 2023 after lifting of trading blackouts following the closing of the Asset Sale based on Spartan's closing trading price the day prior to settlement.

The options were settled in Spartan Shares issued on May 19, 2023 on a net basis, determined by the option value calculated at the closing price on May 18, 2023 of $15.41, reduced by the cost of exercise and withholding taxes for a net share issuance.

The following table summarizes the change in stock options outstanding:

	Number of options (000s)	Average exercise price ($/share)
Balance at December 31, 2021	4,358	3.36
Granted (1)	799	8.29
Exercised	(1,736)	(3.24)
Forfeited	(98)	(5.19)
Balance at December 31, 2022	**3,323**	**4.56**
Granted (1)(3)	**98**	**4.32**
Exercised	**(1,789)**	**(4.56)**
Forfeited	**(4)**	**(3.00)**
Cancelled, settled in cash (2)	**(1,530)**	**(4.56)**
Balance at December 31, 2023	**98**	**4.32**

(1) The options granted vest 1/3 per year on the anniversary date of the grant.
(2) Concurrent with the Asset Sale (note 1) in May 2023, the vesting was accelerated for all existing options.
(3) New options were granted during the third quarter.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Year ended December 31	
	2023	2022
Risk free interest rate	**4.5%**	1.7%
Expected life (years)	**3.0**	3.0
Expected volatility (1)	**50.0%**	60.0%
Expected dividend yield	**0.0%**	0.0%
Expected forfeiture rate	**0.0%**	1.1%
Average fair value of options granted ($/share)	**1.62**	3.36

(1) Spartan has estimated the expected volatility over the life of the option based on a peer group average for intermediate oil and gas companies. A peer group average was used because the Company's historical share price volatility is not expected to be representative of future volatility due to Spartan's significant growth over the previous three years.

The volume weighted average trading price of the Company's common shares on the TSX for the three and twelve months ended December 31, 2023 was $3.55 and $9.54, respectively. During the three and twelve months ended December 31, 2022, the volume weighted average trading price of the Company's common shares on the TSX was $13.93 and $12.01, respectively.

e) Share awards

The Company has a share award incentive plan, pursuant to which the Company may grant RSAs and PSAs to directors, officers, employees and consultants of the Company. There are no PSAs outstanding (December 31, 2022 – nil).

Cash Settled RSAs

As noted in note 12(d), in connection with the Transaction the Board simultaneously approved accelerating the vesting of the issued and outstanding options and share awards. All awards outstanding as of the closing of the Asset Sale on May 10, 2023 were fully vested by December 15, 2023. The outstanding awards were valued at $15.66 per award based on the Spartan's 5-day volume weighted average trading price ("VWAP") up to May 19, 2023. The settlement dates of the share-award liability were dependent upon certain performance conditions with the liability being fully extinguished on December 15, 2023.

The acceleration requires a look-back of share-based compensation expense under the equity-settled method using the new vest date with any additional costs booked to share-based compensation expense. Following the acceleration, the modification from equity-settled to cash-settled results in a charge against previously recognized contributed surplus and the remaining offset against retained earnings within shareholders' equity. Subsequent to the modification and for future reporting periods, the share-based compensation liability is remeasured at each subsequent reporting date, recognizing any fluctuations in the fair value as share-based compensation expense (recovery) with a corresponding charge to the liability.

At March 28, 2023, the Company recorded a share-based compensation liability of $38.4 million relating to the modification from equity-settled to cash-settled awards, with $27.3 million offset against previously recognized amounts in contributed surplus and $11.0 million offset against retained earnings within shareholders' equity. From March 28, 2023 to December 31, 2023, the Company remeasured the liability at fair value and recognized $19.0 million of share-based compensation expense with a corresponding charge to the liability. The Company paid $57.4 million during the year, and as at December 31, 2023, the liability has been fully settled.

Equity Settled RSAs

On August 2, 2023, the Company issued new RSAs under the share award incentive plan ("Equity Settled RSAs"), pursuant to which the Company may grant RSAs. The share awards granted under the share award incentive plan are intended to be settled through the issuance of new common shares upon vesting for no additional consideration. The Board of Directors shall not grant new share awards under the plan if the number of shares issuable pursuant to outstanding share awards, when combined with the number of shares issuable pursuant to outstanding stock options granted under the Company's stock option plan, would exceed 10% of the issued and outstanding common shares at the time of the grant. The vesting period is determined at the discretion of the Board of Directors and are expected to vest 1/3 each year for the three years following the grant date.

The following table summarizes the change in share awards outstanding:

	Number of Cash Settled RSAs (000s)[1]	Number of Equity Settled RSAs (000s)
Balance at December 31, 2021	-	1,959
Granted	-	2,416
Released upon vesting	-	(646)
Forfeited	-	(183)
Balance at December 31, 2022	**-**	**3,546**
Granted	**-**	**15**
Issued in lieu of dividend	**-**	**120**
Released upon vesting	**-**	**(2)**
Forfeited	**-**	**(12)**
Balance before modification [(1)]	**-**	**3,667**
Transferred to Cash Settled [(1)]	**3,667**	**(3,667)**
Granted [(2)]	**-**	**1,288**
Forfeited	**(2)**	**(14)**
Released upon cash settlement	**(3,665)**	**-**
Balance at December 31, 2023	**-**	**1,274**

(1) Concurrent with the Asset Sale (note 1), the vesting was accelerated for all existing RSAs as at March 28, 2023.
(2) The RSAs granted vest 1/3 per year on the anniversary date of the grant.

f) Per share amounts

The table below summarizes the weighted average ("WA") number of common shares outstanding (000's) used in the calculation of net income per share for the year ended December 31, 2023 and 2022:

	Year ended December 31	
(000s)	**2023**	2022
WA common shares outstanding, basic	**172,529**	156,136
Dilutive effect of stock options	**672**	2,739
Dilutive effect of share awards	**293**	2,362
Dilutive effect of warrants	**-**	14,246
WA common shares outstanding, diluted	**173,494**	175,483
Net income	**663,107**	681,086
$ per common share, basic	**3.84**	4.36
$ per common share, diluted	**3.82**	3.88

13. INCOME TAXES

As at December 31, 2023, Spartan has recognized a deferred income tax asset of $40.6 million on the Consolidated Statement of Financial Position and the total tax pools available to the Company are estimated to be $641.3 million (December 31, 2022 – $2.1 billion), of which approximately 62% are non-capital losses ("NCLs").The Company expects to have sufficient taxable profits in the future to utilize its non-capital losses.

The following table reconciles income taxes calculated at the weighted average Canadian statutory rate with the actual provision for income taxes per the Consolidated Statements of Net Income and Comprehensive Income:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Net income before income taxes	**751,299**	710,025
Canadian statutory tax rate (1)	**23.0%**	23.0%
Expected income tax expense	**172,799**	163,306
Increase resulting from:		
Non-deductible expenses (2)	**2,570**	1,537
Write down of other non-current assets	**-**	1,725
Change in unrecognized deferred tax asset (3)	**(2,586)**	-
Non-taxable portion of capital gain (3)	**(2,586)**	-
True-up tax pools	**(1,936)**	253
Acquired tax asset recognized in income (4)	**(80,069)**	(137,882)
Deferred income tax expense	**88,192**	28,939
Current income tax	**-**	-
Income tax expense	**88,192**	28,939

(1) The Canadian statutory tax rate per the rate reconciliation represents the average combined federal and provincial corporate tax rate.

(2) Non-deductible expenses primarily relate to share-based compensation offset by the deductible value of Cash Settled RSAs released on vesting.

(3) Relates to the capital gain recognized in association with the Asset Sale.

(4) Recognition of a previously acquired tax asset.

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting balances within the same tax jurisdiction, are as follows:

(*CA$ thousands*)	Balance at Dec 31, 2022	Recognized in net income	Recognized in balance sheet	**Balance at Dec 31, 2023**
Derivative financial instruments	(7,596)	3,442	-	**(4,154)**
Accelerated tax basis depreciation	(190,134)	45,077	80,069	**(64,988)**
Share-based compensation liability	-	(8,823)	8,823	**-**
Decommissioning obligations	29,578	(12,795)	-	**16,783**
Leases	776	49	-	**825**
Share issue costs	1,619	(93)	-	**1,526**
Non-capital losses and other (1)	285,713	(195,118)	-	**90,595**
Acquired tax asset recognized in income	-	80,069	(80,069)	**-**
Deferred income tax asset	**119,956**	**(88,192)**	**8,823**	**40,587**

(1) The Company expects to have sufficient taxable profits in the future to utilize its NCLs which expire in years 2039 to 2041 and has recognized the deferred tax asset related to NCLs.

(*CA$ thousands*)	Balance at Dec 31, 2021	Recognized in net income	Recognized in balance sheet	**Balance at Dec 31, 2022**
Derivative financial instruments	14,794	(22,390)	-	**(7,596)**
Accelerated tax basis depreciation	(130,279)	(59,855)	-	**(190,134)**
Decommissioning obligations	39,524	(9,946)	-	**29,578**
Leases	692	84	-	**776**
Share issue costs	2,186	(570)	3	**1,619**
Non-capital losses and other	215,975	(74,144)	143,882	**285,713**
Acquired tax asset recognized in income	-	137,882	(137,882)	**-**
Deferred income tax asset	142,892	(28,939)	6,003	**119,956**

Under IFRS Accounting Standards, 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.

Contemporaneous with the Transaction (note 1), the Board announced it will accelerate the vesting of options and share awards and settle the share awards in cash. A $38.4 million share-based compensation liability with a corresponding offset to shareholders' equity was recognized on modification of the share awards (note 12(e)), with a corresponding deferred tax asset of $8.8 million. The share-based compensation liability was fully settled as of December 31, 2023.

In addition, during the fourth quarter of 2023, Spartan recognized a deferred tax asset of $80.1 million in connection to a previously acquired tax asset upon processing of a 66.7 election by the CRA. The Company expects to have sufficient taxable profits in the future in order to utilize its successor resource pools and has recognized the deferred tax asset related to the successor resource pools.

14. OIL AND GAS SALES, NET OF ROYALTIES

The following table summarizes the composition of Spartan's oil and gas sales revenue by product type:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Oil and gas sales		
Crude oil	**213,259**	568,076
Natural gas liquids	**211,452**	333,962
Natural gas	**228,058**	562,429
Oil and gas sales	**652,769**	1,464,467
Royalties	**(69,560)**	(159,877)
Oil and gas sales, net of royalties	**583,209**	1,304,590

15. FINANCING

The following table summarizes the significant components of the Company's financing expenses, which are presented net of financing income in the Consolidated Statements of Net Income and Comprehensive Income:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Interest and fees on debt	**37,616**	25,967
Financing cost of lease liabilities	**2,380**	2,862
Accretion of decommissioning obligations	**2,759**	3,515
Financing expense	**42,755**	32,344
Interest income	**(23,715)**	(741)
Financing expense	**19,040**	31,603

16. OTHER INCOME

The following table summarizes the significant components of the Company's other income presented in the Consolidated Statements of Net Income and Comprehensive Income:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Government grant (note 10) (1)	**3,098**	5,252
Gain on construction project (note 5)	**-**	14,315
Other income (expense)	**(320)**	743
Other income	**2,778**	20,310

(1) Government grant relates to funding earned through the Alberta provincial government Site Rehabilitation Program for certain abandonment and reclamation projects completed during the years ended December 31, 2023 and 2022 (see note 10).

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Accounts receivable	**89,738**	(43,672)
Prepaid expenses and deposits	**(3)**	(2,907)
Other current assets	**2,340**	4,460
Accounts payable and accrued liabilities	**(90,590)**	(116)
Non-cash working capital disposed (note 6)	**7,634**	-
Foreign exchange	**(146)**	(59)
Change in non-cash working capital (1)	**8,973**	(42,294)
Relating to:		
Operating activities	**59,195**	(39,240)
Financing activities	**-**	(91)
Investing activities	**(50,222)**	(2,963)
Change in non-cash working capital	**8,973**	(42,294)
Cash payments in respect of:		
Interest and fees on debt	**34,604**	23,637

(1) Change in non-cash working capital excludes the impact of $150.9 million and $85.7 million of dividends declared, but not yet paid as at December 31, 2023 and December 31, 2022, respectively.

18. CAPITAL MANAGEMENT

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

As at December 31, 2023, the Company's capital structure is comprised of adjusted working capital, debt and shareholders' equity. The significant components of the Company's capital structure are summarized below:

(CA$ thousands)	**December 31, 2023**	December 31, 2022
Working capital deficit (surplus)	**28,400**	(30,381)
Adjusted for current portion of:		
Derivative financial instrument assets	**11,889**	33,845
Derivative financial instrument liabilities	**-**	(818)
Lease liabilities	**(9,469)**	(9,450)
Adjusted Working Capital deficit (surplus) (1)(2)	**30,820**	(6,804)
Long-term debt	**44,476**	145,180
Net Debt (2)	**75,296**	138,376
Total shareholders' equity	**429,717**	1,516,821

(1) "Adjusted Working Capital" is calculated as current assets less current liabilities, excluding derivative financial instruments and lease liabilities. As at December 31, 2023 and December 31, 2022, Adjusted Working Capital includes cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities, dividends payable and the current portion of decommissioning obligations.

(2) Adjusted Working Capital and Net Debt are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Spartan uses Adjusted Working Capital and Net Debt as capital management measures of the Company's financial position and liquidity.

Spartan's Adjusted Working Capital deficit of $30.8 million at December 31, 2023 decreased from the Adjusted Working Capital surplus of $6.8 million at December 31, 2022. The capital intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment, however the Company maintains sufficient unused bank credit lines to satisfy working capital deficiencies when they occur. The Company has sufficient liquidity for the next 12 months to meet working capital requirements with the current cash balances of $151.3 million (including restricted cash), future cash flow from operations and access to the remaining undrawn balance on the Credit Facility (note 11), all of which are expected to meet the Company's financial obligations (including the dividends payable).

During the year ended December 31, 2023, the Company's primary sources of funds were $475.7 million of cash provided by operating activities and $1.70 billion of cash related to the Asset Sale, supplemented by a $45.1 million draw on the Credit Facility. Spartan used its cash provided by operating activities and proceeds from the Asset Sale to fund the Company's exploration and development capital expenditures of $295.0 million, $1.6 billion of dividend payments, $150.9 million of restricted cash, $150.0 million for the Term Facility repayment, a $65.9 million payment relating to the settlement of Cash Settled RSAs and stock options, $34.4 million of acquisitions and $9.6 million for lease principal payments.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Annualized AFF Ratio", which is calculated by Spartan as the Company's Net Debt (calculated above) relative to its "Annualized Adjusted Funds Flow" (calculated below). The reader is cautioned that "Net Debt" and "Adjusted Funds Flow" do not have standardized meanings under IFRS Accounting Standards may not be directly comparable to measures of other companies where similar terminology is used. Spartan calculates "Adjusted Funds Flow" by deducting lease payments and adding back transaction costs on acquisitions/dispositions and the change in non-cash working capital to cash provided by operating activities. Spartan utilizes Adjusted Funds Flow as a key performance measure in the Company's annual financial forecasts and public guidance because it reflects the net cash flow generated from routine business operations. Adjusted Funds Flow is reported net of cash lease payments in the year, therefore Spartan believes Adjusted Funds Flow is an appropriate metric to compare relative to its Net Debt which does not include lease liabilities. "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; management considers this annualized measure to be more representative of the Company's current financial position than a 12-month trailing measure. Management believes that the Net Debt to Annualized AFF 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.

Three months ended (CA$ thousands)	**December 31, 2023**	December 31, 2022
Cash provided by operating activities	**51,289**	200,363
Change in non-cash operating working capital	**7,238**	34,765
Add back: transaction costs	**(500)**	(43)
Deduct: lease payments	**(2,305)**	(2,246)
Adjusted Funds Flow for the quarter	**55,722**	232,839
Less: Other income - gain on construction project(1)	**-**	(14,315)
Adjusted Funds Flow for the quarter – normalized(1)	**55,722**	218,524
Factor to Annualize	**4**	4
Annualized Adjusted Funds Flow (2)	**222,888**	874,096
Net Debt	**75,296**	138,376
Annualized Adjusted Funds Flow	**222,888**	874,096
Net Debt to Annualized AFF Ratio	**0.3x**	0.2x

(1) The calculation of 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.

(2) The Annualized Adjusted Funds Flow reflects ongoing operations for the three months ended December 31, 2023 multiplied by a factor of four (4).

As at December 31, 2023, Spartan had Net Debt of $75.3 million, which is approximately 0.3 times the Company's Annualized Adjusted Funds Flow for the fourth quarter of 2023. Net Debt of $138.4 million at December 31, 2022 decreased as a result of the cash proceeds from the Asset Sale, reduced operating activities from Asset Sale and the Spin-Out, partially offset by the $9.50 per share Cash Dividend declared, acquisitions, the cash payment relating to settlement of the Cash Settled RSAs and options and higher transaction costs in the twelve months ended.

The Company's existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Spartan is well positioned to execute on its short and longer term growth strategy. The Company's exploration and development capital expenditures for 2024 are expected to be funded by a combination of cash provided by operating activities and may be supplemented by bank debt during periods of high capital investment.

In the fourth quarter of 2022, Spartan announced the Repositioning Process, which concluded on March 28, 2023 through announcement of an Asset Sale, which subsequently closed on May 10, 2023, the planned distribution of the Logan Assets through the Spin-Out (note 1), and a cash distribution (note 12). The majority of the cash received from the Asset Sale was distributed to Spartan shareholders and all equity ownership in Logan was distributed to Spartan shareholders on July 6, 2023. On May 10, 2023, Spartan declared an additional special cash dividend of $0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023 (note 12). Spartan intends to maintain a strong financial position targeting a leverage ratio of approximately 0.5x debt to cash flow.

As at December 31, 2023, the Company is not subject to any externally imposed capital requirements other than the financial covenants under the amended and restated Credit Facility, to which Spartan is in full compliance (note 11).

19. COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual commitments as of December 31, 2023:

(CA$ thousands)	2024	2025	2026	2027	2028	Thereafter
Gas transportation (1)	8,569	8,502	8,027	3,961	3,313	885
Liquids transportation (2)	576	4,032	1,296	-	-	-
Total commitments (3)	**9,145**	**12,534**	**9,323**	**3,961**	**3,313**	**885**

(1) Spartan has firm transportation commitments on natural gas pipelines in Alberta until October 2029.
(2) Liquids transportation commitment relate to a take-or-pay on NGL volumes at the Keyera Fort Saskatchewan Fractionation Facility until March 2026.
(3) The commitments table does not include lease liabilities. A contractual maturity of the Company's financial liabilities and undiscounted lease payments is provided in note 4.

Following the completion of the Asset Sale and the Spin-Out (note 1), $232.2 million of previously disclosed commitments were transferred to Crescent Point and $62.4 million of previously disclosed commitments were transferred to Logan, respectively.

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 these Financial Statements, the Company has no material litigation or claims outstanding that have not already been reflected in these Financial Statements.

20. RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

As at December 31, 2023, Spartan has no subsidiaries. On June 20, 2023, the Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan and one (1) purchase warrant of Logan per common share of Spartan. The common shares and warrants of Logan were subsequently distributed through the Spin-Out (note 1) on July 6, 2023, at which time, Logan ceased to be a subsidiary of Spartan. Spartan previously had a second subsidiary, Inception General Partner Inc., however, it was disposed of through the Asset Sale on May 10, 2023.

b) Related party transactions

During the year ended December 31, 2023, the Company incurred $3.9 million of legal fees to a law firm where the corporate secretary of the Company is a partner (year ended December 31, 2022 – $1.2 million), with the fees primarily relating to legal support through the Transaction (note 1). Approximately $0.1 million of legal fees are included in the balance of accounts payable and accrued liabilities as at December 31, 2023 (December 31, 2022 – $0.1 million).

On July 6, 2023, the Distribution of Logan Shares and Transaction Warrants to eligible holders of common shares of Spartan was completed and Logan ceased to be a subsidiary of Spartan. Additionally, Spartan and Logan entered into an agreement (the “Transition Services Agreement”) to support the transition of resources through the Spin-Out. Pursuant to the Transition Services Agreement, Spartan will provide certain administrative services to Logan and Logan will provide certain administrative services to Spartan. These services will be billed based on time incurred and will be included as part of G&A expenses.

Logan was classified as a related party up to July 6, 2023, in which the Company had an accounts receivable of $2.5 million due from Logan (December 31, 2022 – nil), primarily related to net operating income of the transferred assets for the period of June 20, 2023 to July 6, 2023, offset by capital expenditures, prepaid operating expenses and G&A incurred on behalf of Logan.

c) 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, 2023 and 2022:

	Year ended December 31	
(CA$ thousands)	**2023**	2022
Salaries and benefits	**7,390**	8,229
Directors fees	**258**	238
Share-based compensation (1)(2)	**9,335**	7,171
Total key management compensation	**16,983**	15,638

(1) During 2023, key management personnel were granted 150,500 share awards and 97,800 stock options with an exercise price of $4.32 per share.

(2) 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.

21. SUBSEQUENT EVENTS

Derivative Financial Instruments

Subsequent to December 31, 2023, Spartan rebalanced its AECO 7A positions and entered into C$WTI Swaps. The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as of February 26, 2024:

	Crude Oil (1)		Natural Gas (1)			
	C$ WTI Swaps – Short (4)		NYMEX – AECO 7A Basis Swaps – Short (2)		AECO 7A Swaps (3)	
Period	Volume Bbl/d	CA$/ Bbl	Volume mmbtu/d	US$/ mmbtu	Volume GJ/d	CA$/ GJ
Q1 2024	204	$101.06	20,000	($1.00)	25,000	$3.01
Q2 2024	600	$101.06	25,000	($1.00)	75,000	$2.66
Q3 2024	600	$101.06	10,000	($1.04)	75,000	$2.66
Q4 2024	600	$101.06	10,000	($1.04)	78,315	$2.98
Q1 2025	-	-	-	-	45,000	$2.49

(1) The prices and volumes in this table represent averages for contracts represented in the respective periods.
(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(3) AECO 7A swaps are settled the first day of the month based on a weighted average of the previous month's fixed price trades.
(4) C$ WTI swaps are translated at the average daily noon rate for the settlement month.

Long-term Incentive ("LTI") Grants

On February 13, 2024, the Board approved an annual LTI grant valued at $10.0 million for directors, officers, employees and consultants of the Company. The grant date will be effective when the current trading blackout ends and the 5-day VWAP will be determined at that time. RSAs and stock options will vest in thirds over 3 years.