SPARTAN DELTA CORP. (FORMERLY, RETURN ENERGY INC.)
MANAGEMENT'S DISCUSSION & ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2021 AND 2020

FINANCIAL AND OPERATING HIGHLIGHTS

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
OPERATING				
Average daily production (BOE/d)				
Crude oil (bbls/d)	**603**	332	82%	26
Condensate (bbls/d) (1)	**1,338**	1,131	18%	-
NGLs (bbls/d) (1)	**7,115**	6,728	6%	17
Natural gas (mcf/d)	**137,146**	106,912	28%	1,247
BOE/d	**31,914**	26,010	23%	251
Average realized prices, before financial instruments				
Crude oil ($/bbl)	**66.56**	47.95	39%	43.14
Condensate ($/bbl) (1)	**72.01**	54.46	32%	-
NGLs ($/bbl) (1)	**28.37**	18.35	55%	41.27
Natural gas ($/mcf)	**3.15**	2.72	16%	1.83
Combined average ($/BOE)	**24.12**	18.89	28%	16.34
Operating and Corporate Netbacks ($/BOE) (2)				
Oil and gas sales, before financial instruments	**24.12**	18.89	28%	16.34
Realized loss on financial instruments	**(1.03)**	(0.90)	14%	-
Oil and gas sales, after financial instruments	**23.09**	17.99	28%	16.34
Processing and other revenue	**0.62**	0.66	(6%)	1.96
Royalties	**(3.03)**	(2.01)	51%	(0.06)
Operating expenses	**(5.06)**	(5.68)	(11%)	(22.57)
Transportation expenses	**(1.34)**	(1.37)	(2%)	-
Operating Netback (2)	**14.28**	9.59	49%	(4.33)
General and administrative expenses	**(1.22)**	(1.48)	(18%)	(37.76)
Interest expense, net of interest income	**(0.12)**	(0.19)	(37%)	3.48
Corporate Netback (2)	**12.94**	7.92	63%	(38.61)
FINANCIAL				
Oil and gas sales	**69,283**	45,206	53%	373
Cash provided by (used in) operating activities	**32,107**	16,064	100%	(546)
Adjusted Funds from Operations (2)	**37,155**	18,939	96%	(880)
$ per share, basic	**0.54**	0.33	64%	(0.03)
$ per share, diluted	**0.46**	0.28	64%	(0.03)
Net income (loss) and comprehensive income (loss)	**59,164**	12,358	379%	(4,820)
$ per share, basic	**0.87**	0.21	314%	(0.18)
$ per share, diluted	**0.73**	0.18	306%	(0.18)
Capital expenditures, before A&D	**19,282**	14,003	38%	376
Acquisitions, net of dispositions (3)	**20,004**	343	nm	-
Total assets	**679,613**	331,430	105%	30,938
Net Debt (Surplus) (2)	**(98,303)**	12,292	nm	(21,719)
Convertible promissory note	**25,749**	-	-	-
Shareholders' equity	**414,230**	137,540	201%	20,818
Common shares outstanding (000s) (4)				
Weighted average, basic	**68,293**	58,220	17%	26,106
Weighted average, diluted	**81,591**	68,859	18%	26,106
End of period	**113,932**	58,226	96%	26,106

(1) Condensate is a natural gas liquid as defined by NI 51-101. See "Other Measurements".
(2) "Operating Netback", "Corporate Netback", "Adjusted Funds from Operations" and "Net Debt (Surplus)" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures" section of this MD&A.
(3) Excludes non-cash consideration for acquisitions. Refer to "Capital Expenditures" section of this MD&A for additional information.
(4) Refer to "Share Capital" section of this MD&A.

INTRODUCTION

Spartan Delta Corp. (formerly Return Energy Inc., "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 petroleum and natural gas properties in western Canada. Prior to January 1, 2021, Spartan's oil and gas operations were conducted through its wholly owned subsidiary Winslow Resources Inc. ("Winslow"). Effective January 1, 2021, Spartan and Winslow were vertically amalgamated and substantially all of the Company's operations are now conducted directly through Spartan Delta Corp. As of the date hereof, the Company does not have any material subsidiaries. Common shares of Spartan are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "SDE". The Company's head office is located at 500, 207 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. The registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

The Company appointed a new management team and new board of directors as part of a recapitalization transaction on December 19, 2019. On June 1, 2020, Spartan closed its first transformational acquisition for total consideration of $108.8 million (the "BXE Asset Acquisition"). The acquisition repositioned the Company from a junior producer of 251 BOE per day in the first quarter of 2020 to an intermediate energy company with a growth strategy focused on the acquisition and sustainable development of underexploited and undercapitalized assets. Production from the acquired assets was approximately 25,000 BOE per day at the time of the acquisition and is concentrated in the Deep Basin of west central Alberta. In addition to working interest ownership in strategic infrastructure, the acquisition also included a large land base with an extensive inventory of drilling locations, targeting liquids-rich natural gas and light oil in the Spirit River and Cardium formations. To date, Spartan has drilled seven Spirit River wells and one Cardium well, successfully concluding its 8 (8.0 net) well winter drilling program in March 2021. The first two wells were brought on production in December 2020 and the remaining six wells were brought on-stream throughout the first quarter of 2021.

Spartan continued to execute on its acquisitive growth strategy and closed four strategic acquisitions during the first quarter of 2021 for estimated total consideration of $151.2 million, plus $4.0 million of assumed net debt. The "Acquisitions", which collectively refer to the Inception Acquisition, Simonette Acquisition, Willesden Green Acquisition, and the January 2021 Acquisition (all of which are defined and described in detail under the heading "Capital Expenditures"), added a second core development area in the Alberta Montney and compliment the Company's existing core operating assets in west central Alberta. Concurrent with the acquisitions, Spartan also raised $124.0 million of gross proceeds from equity financings at an average issue price of $4.35 per share (the "March 2021 Financings").

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of May 10, 2021, in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Requirements* ("NI 51-102"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2021, and its audited consolidated annual financial statements and MD&A for the year ended December 31, 2020 (the "2020 Financial Statements"). The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company and is not a substitute for detailed investigation or analysis on any particular issue. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities, including Spartan's Annual Information Form for the year ended December 31, 2020 (the "AIF"), can be found on SEDAR at www.sedar.com and the Company's website at www.spartandeltacorp.com.

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

NON-GAAP MEASURES

This MD&A contains certain financial measures, as described below, which do not have standardized meanings prescribed by IFRS or GAAP. As these non-GAAP financial measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. The non-GAAP measures used in this MD&A, represented by the capitalized and defined terms outlined below, are used by Spartan as key measures of financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net income or other measures of financial performance calculated in accordance with IFRS.

Funds from Operations and Adjusted Funds from Operations

"Funds from Operations" is calculated as cash provided by (used in) operating activities before changes in non-cash working capital. "Adjusted Funds from Operations" is calculated by adding back transaction costs on acquisitions, settlements of decommissioning obligations to Funds from Operations. In addition, Spartan sold emissions credits for cash proceeds of $0.5 million during the first quarter of 2021. The proceeds are presented within other income and have been excluded in the calculation of Adjusted Funds from Operations as the cash flow is not part of the Company's routine business operations.

The following table reconciles cash provided by (used in) operating activities to Funds from Operations and Adjusted Funds from Operations:

(CA$ thousands, except share amounts)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Cash provided by (used in) operating activities	**32,107**	16,064	100%	(546)
Change in non-cash operating working capital	**4,222**	2,175	94%	(961)
Funds from Operations	**36,329**	18,239	99%	(1,507)
Transaction costs	**688**	7	nm	-
Settlement of decommissioning obligations	**671**	693	(3%)	627
Other income	**(533)**	-	nm	-
Adjusted Funds from Operations	**37,155**	18,939	96%	(880)
WA common shares outstanding – basic (000s)	**68,293**	58,220	17%	26,106
WA common shares outstanding – diluted (000s)	**81,591**	68,859	18%	39,653
Adjusted Funds from Operations per share				
Basic ($ per common share)	**0.54**	0.33	64%	(0.03)
Diluted ($ per common share)	**0.46**	0.28	64%	(0.03)

Adjusted Funds from Operations per share is calculated on a consistent basis with net income (loss) per share, using basic and diluted weighted average common shares as determined in accordance with IFRS. Refer to additional information under the heading "Share Capital".

Adjusted Funds from Operations can also be calculated by deducting general and administrative and interest expenses (net of interest income) from Operating Income (Loss), as described further below.

Operating Income (Loss), Operating Netback and Corporate Netback

"Operating Income (Loss)" is calculated by deducting operating and transportation expenses from total revenue, after realized gains or losses on commodity price derivative financial instruments. Total revenue is comprised of oil and gas sales, net of royalties, plus processing and other revenue.

The Company refers to Operating Income (Loss) expressed per unit of production as an "Operating Netback". Similarly, Spartan's "Corporate Netback" is equal to Adjusted Funds from Operations expressed per unit of production.

(CA$ thousands, unless otherwise indicated)		**Q1 2021**	Q4 2020	% Change	Q1 2020
Oil and gas sales, net of royalties		**60,566**	40,397	50%	372
Processing and other revenue		**1,790**	1,578	13%	45
Realized loss on derivative financial instruments		**(2,963)**	(2,164)	37%	-
Operating expenses		**(14,534)**	(13,583)	7%	(515)
Transportation expenses		**(3,855)**	(3,288)	17%	-
Operating Income (Loss)		**41,004**	22,940	79%	(98)
General and administrative expenses		**(3,493)**	(3,551)	(2%)	(861)
Interest expense, net of interest income		**(356)**	(450)	(21%)	79
Adjusted Funds from Operations		**37,155**	18,939	96%	(880)
Production (BOE)		**2,872,270**	2,392,908	20%	22,817
Operating Netback	($ per BOE)	**14.28**	9.59	49%	(4.33)
Corporate Netback	($ per BOE)	**12.94**	7.92	63%	(38.61)

Net Debt (Surplus)

Throughout this MD&A, references to "Net Debt (Surplus)" includes bank debt, net of Adjusted Working Capital. "Adjusted Working Capital" is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities, lease liabilities, and the deferred premium on flow through shares. As at March 31, 2021 and December 31, 2020, the Adjusted Working Capital deficit (surplus) includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities and the current portion of decommissioning obligations (see also, "Capital Resources and Liquidity"). Spartan uses "Net Debt (Surplus)" as a measure of the Company's financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS.

(CA$ thousands)	**March 31, 2021**	December 31, 2020
Bank debt	**-**	-
Adjusted Working Capital deficit (surplus)	**(98,303)**	12,292
Net Debt (Surplus)	**(98,303)**	12,292

On March 18, 2021, Spartan issued a convertible unsecured non-interest bearing promissory note with a principal amount $50.0 million (the "Convertible Note"). The Convertible Note is classified as a financial liability measured at fair value through profit or loss in accordance with IFRS. As at March 31, 2021, the fair value and carrying amount of the Convertible Note is approximately $25.7 million. Additional information regarding the terms of the Convertible Note and valuation are provided under the heading "Capital Resources and Liquidity". The Company does not include the Convertible Note in its non-GAAP definition of Net Debt (Surplus) because Spartan, in its sole discretion, may settle the obligation by issuing common shares instead of cash. Spartan's diluted weighted average common shares outstanding for the quarter ended March 31, 2021, calculated in accordance with IFRS, includes the maximum number of common shares potentially issuable on conversion, prorated for the 14 day period that the Convertible Note was outstanding during the quarter. (see also, "Share Capital").

Net Debt to Trailing Adjusted Funds Flow

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Trailing Adjusted Funds Flow" ratio, which is a non-GAAP financial measure calculated as the ratio of the Company's "Net Debt" to "Trailing Adjusted Funds Flow". Management believes that this ratio provides investors with information to understand the Company's liquidity risk and its ability to repay Net Debt and fund future capital expenditures. This ratio is also indicative of the "debt to cash flow" calculation used to determine the applicable margin for a quarter under the Company's Credit Facility agreement (though the calculation is not a precise match, it is representative).

"Adjusted Funds Flow" is calculated by adding back transaction costs on acquisitions and by deducting lease payments from "Funds from Operations". Spartan does not include lease liabilities in its definition of Net Debt therefore the Company believes Adjusted Funds Flow is an appropriate metric to compare relative to Net Debt. "Trailing Adjusted Funds Flow" is calculated by annualizing Adjusted Funds Flow for the most recently completed quarter. (See also, "Capital Resources and Liquidity".)

(CA$ thousands)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Funds from Operations	**36,329**	18,239	99%	(1,507)
Transaction costs	**688**	7	nm	-
Lease payments	**(2,400)**	(1,450)	66%	-
Adjusted Funds Flow (1)	**34,617**	16,796	106%	(1,507)
Trailing Adjusted Funds Flow	**138,468**			
Net Debt (Surplus)	**(98,303)**			
Net Debt to Trailing Adjusted Funds Flow	**nm**			

(1) Adjusted Funds Flow may also be calculated by deducting lease payments and settlements of decommissioning obligations from Adjusted Funds from Operations. In addition, Spartan sold emissions credits for cash proceeds of $0.5 million during the first quarter of 2021 which are included in Adjusted Funds Flow.

As at March 31, 2021, Spartan has a Net Surplus of $98.3 million therefore the "Net Debt to Trailing Adjusted Funds Flow" ratio is not meaningful as of the current reporting period.

Free Funds Flow

Spartan discloses "Free Funds Flow" as part of its "Outlook and Guidance". Free Funds Flow is calculated as Adjusted Funds Flow less capital expenditures, before acquisitions and dispositions ("A&D"). Spartan believes Free Funds Flow provides an indication to investors and Spartan shareholders of the amount of funds the Company has available for future capital allocation decisions.

(CA$ thousands)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Adjusted Funds Flow	**34,617**	16,796	106%	(1,507)
Capital expenditures, before A&D (1)	**(19,282)**	(14,003)	38%	(376)
Free Funds Flow	**15,335**	2,793	449%	(1,883)

(1) Refer to reconciliation and additional information under the heading "Capital Expenditures" in this MD&A.

OTHER MEASUREMENTS

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

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

GROWTH STRATEGY

The Company is focused on opportunities to acquire high quality assets at attractive valuations while also capitalizing on the operational efficiencies and reduced overhead achievable through consolidation of synergistic assets. Spartan's intent is to acquire a diversified portfolio of quality assets that can be optimized, financially or operationally to yield lower payout ratios and generate material free cash flow. Simultaneously, the Company continues to focus on the expansion of its business through development of its core properties.

OUTLOOK AND GUIDANCE

The table below outlines Spartan's guidance for the year ended December 31, 2021, which is unchanged from the guidance published in the Company's most recent annual MD&A dated March 11, 2021:

For the year ended December 31, 2021	Guidance
Average Production (BOE/d) (1)	**35,500 – 37,500**
% Oil and NGLs	**31%**
Forecast Average Commodity Prices	
WTI oil price (US$/bbl)	**55.00**
Edmonton condensate ($/bbl)	**67.93**
Conway propane (US$/gal)	**0.71**
AECO 5A natural gas price ($/GJ)	**2.75**
Average exchange rate (CA$/US$)	**1.26**
Operating Netback ($/BOE) (1)(2)(3)	**12.74**
Adjusted Funds Flow ($MM) (1)(2)(3)	**139**
Capital expenditures, before A&D ($MM)	**101**
Free Funds Flow ($MM) (3)	**38**
Net Debt (Surplus), end of year ($MM) (3)(4)	**(115)**
Common shares outstanding, end of year (MM) (5)	**114**

Notes:

(1) Production guidance consists of approximately 4% crude oil, 4% condensate, 23% NGLs and 69% natural gas. The forecasted financial guidance and percentage change is based on the midpoint of production guidance of 36,500 BOE per day.

(2) In addition to the forecast of benchmark commodity prices outlined above, the Company's guidance includes the following significant assumptions for 2021: royalties are expected to average 11% of oil and gas sales; budgeted operating and transportation expenses are expected to average $6.09 per BOE and $1.53 per BOE, respectively; G&A is budgeted to average $1.35 per BOE; and cash interest expense is budgeted to average $0.07 per BOE (unchanged).

(3) Operating Netback, Adjusted Funds Flow, Free Funds Flow and Net Debt (Surplus) do not have a prescribed meaning under IFRS. Refer to advisories under the heading "Non-GAAP Measures".

(4) Net Debt (Surplus) does not include the Convertible Note issued in connection with the Inception Acquisition. The Convertible Note has a term of five years and is convertible to common shares at Spartan's option anytime after two years. The maximum number of Spartan common shares issuable on conversion is 6,518,905 common shares.

(5) The forecasted basic number of common shares outstanding does not include common shares potentially issuable in respect of dilutive securities (see "Share Capital" for additional information).

Spartan's 2021 capital expenditures, before A&D are estimated to be approximately $101.0 million, of which the Company spent $19.3 million during the quarter ended March 31, 2021. In addition, total consideration for the Acquisitions completed during the first quarter of 2021 was estimated to be $151.2 million in aggregate, comprised of $20.1 million of cash, $105.8 million of common share consideration, and the issuance of a Convertible Note which had a fair value of $25.3 million upon closing of the Inception Acquisition. The capital expenditure program will be focused drill-ready development utilizing existing infrastructure across the Company's core properties targeting the Montney, Spirit River, and Cardium formations. The Company’s drilling program is expected to resume after spring break-up in June, with the majority of remaining capital expenditures budgeted for the third and fourth quarters of 2021.

Spartan expects 2021 production to average between 35,500 to 37,500 BOE per day (unchanged from previous guidance). The Company's organic development program, supplemented with production from the Acquisitions, is expected to deliver approximately 40% production growth in 2021 compared to average production of 26,010 BOE per day during the fourth quarter of 2020.

Based on forecasted commodity prices and other key assumptions outlined in the table and footnotes above, Spartan expects to generate approximately $139.0 million of Adjusted Funds Flow in 2021 and is forecasting a Net Surplus of $115.0 million at the end of the year (see “Non-GAAP Measures"). Spartan expects to use its cash surplus to continue executing on its targeted acquisition and consolidation strategy. The guidance disclosed herein is unchanged from the Company’s previously published guidance based on US$55.00 per barrel for WTI crude oil and $2.75 per GJ for AECO natural gas. For the first three months of 2021, AECO 5A averaged $2.99 per GJ and WTI oil prices continued to trend higher averaging US$57.84 per barrel for the quarter and US$62.36 per barrel in March. Conway propane prices averaged US$0.92 per gallon to date in 2021, 30% higher than the average price of US$0.71 per gallon included in the Company’s current forecast.

Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in the budget. The Company’s actual results may differ materially from these estimates. Holding all other assumptions constant for 2021: if the forecast for AECO natural gas increased (decreased) by $0.25/GJ, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $7.0 million; or, if the WTI crude oil reference price forecast increased (decreased) by US$5.00/bbl, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $9.0 million. Assuming capital expenditures are unchanged, the impact on Free Funds Flow and resulting Net Debt (Surplus) would be equivalent to the increase or decrease in Adjusted Funds Flow.

The information set-out herein is “financial outlook” within the meaning of the applicable securities laws. The purpose of financial outlook is to provide readers with disclosure regarding Spartan’s reasonable expectations as to the results of its proposed business activities for the 2021. Reader are cautioned that this financial outlook may not be appropriate for other purposes. See also, advisories regarding “Forward-Looking Statements”.

RESULTS OF OPERATIONS

Spartan is pleased to report its financial and operating results for the first quarter of 2021. The Company achieved record average production of 31,914 BOE per day and generated Adjusted Funds from Operations of $37.2 million ($0.46 per share, diluted) during the three months ended March 31, 2021. Compared to the fourth quarter of 2020, production volumes are 23% higher and Adjusted Funds from Operations increased by 96% on an absolute basis or by 64% per diluted common share. The increase in Adjusted Funds from Operations highlights the robust economics of the Company's west central Alberta asset base and drilling program in a rising commodity price environment, coupled with strong operational execution. The Company reduced costs on its existing assets and successfully integrated multiple acquisitions during the quarter.

- The corporate acquisition of Inception Exploration Ltd. ("Inception") closed on March 18, 2021, for total consideration of $117.4 million, plus $4.2 million of net debt (the "Inception Acquisition"). The Inception Acquisition anchors a second core development area for Spartan with over 30,000 net acres of delineated oil-weighted Montney acreage in the Gold Creek area of northwest Alberta and 100% working interests in operated infrastructure with excess capacity to support growth. At the time of the acquisition, current production was approximately 3,700 BOE per day (45% crude oil, 9% NGLs, 46% natural gas).
- Concurrent with closing the Inception Acquisition, Spartan completed an acquisition of assets located primarily in the Simonette area of northwest Alberta for estimated total consideration of $20.3 million (the "Simonette Acquisition"). The Simonette Acquisition furthers the Company's Montney consolidation strategy and included current production of approximately 4,425 BOE per day (5% crude oil, 13% NGLs, 82% natural gas) at the time of the acquisition, over 54,000 net acres of Montney acreage and interests in significant infrastructure. Spartan has identified opportunities for optimization of the underexploited resource base as minimal capital was deployed to the assets in recent years due to financial constraints of the previous operator.
- On March 5, 2021, Spartan closed a tuck-in acquisition of producing assets located in its core area at Willesden Green, Alberta, for cash consideration of $5.2 million after estimated closing adjustments (the "Willesden Green Acquisition"). The assets acquired are contiguous with Spartan's west central Alberta assets and included a combination of working interest and royalty production.
- On January 14, 2021, the Company acquired of all of the issued and outstanding shares of two private companies (the "January 2021 Acquisition") for total consideration of $8.2 million ($8.0 million net of $0.2 million of positive working capital assumed). The assets acquired primarily include land and non-producing petroleum and natural gas properties in Spartan's new core development area in the Alberta Montney and tax pools.

FIRST QUARTER 2021 FINANCIAL AND OPERATING HIGHLIGHTS:

- Production averaged of 31,914 BOE per day during the first quarter of 2021, up 23% from average production of 26,010 BOE per day in the fourth quarter of 2020. The increase in production is driven primarily by Spartan's winter drilling program as well as production from the Acquisitions which contributed approximately 1,330 BOE per day to average production for quarter.
- Oil and gas sales were $69.3 million for the three months ended March 31, 2021, up 53% from $45.2 million in the previous quarter ended December 31, 2020. Spartan's combined average selling price of $24.12 per BOE ($23.09 per BOE after financial instruments) increased by 28% from the average price of $18.89 per BOE ($17.99 per BOE after financial instruments) in the previous quarter, driven by the significant recovery of crude oil and NGLs prices as well as continued strength of AECO natural gas prices.
- During the first quarter of 2021, Spartan's royalty rate averaged 12.6% of oil and gas sales compared to 10.6% in the fourth quarter of 2020. The increase in average royalty rate reflects higher commodity prices.
- Operating expenses averaged $5.06 per BOE for the quarter ended March 31, 2021, down 11% from $5.68 per BOE in the preceding quarter. The decrease in per unit operating expenses demonstrates a material reduction of operating costs in the Company's west central Alberta core area, partly offset by higher average operating costs on the recently acquired properties.
- Transportation expenses of $1.34 per BOE during the first quarter of 2021 are in line with the previous quarter average of $1.37 per BOE.

- Spartan's Operating Netback increased by 49% and averaged $14.28 per BOE for the first quarter of 2021 compared to $9.59 per BOE for the fourth quarter of 2020. The improved operating netback reflects the decrease in per unit operating costs in conjunction with stronger realized prices, partly offset by higher royalties.
- Spartan's Adjusted Funds from Operations of $37.2 million resulted in a Corporate Netback of $12.94 per BOE for the first quarter of 2021. The Corporate Netback increased by 63% from $7.92 per BOE in the fourth quarter of 2020 as lower G&A and interest costs compounded the positive impact of higher netbacks from the field. Spartan realized an 18% decrease in per unit G&A expenses which averaged $1.22 per BOE in the first quarter of 2021 compared to $1.48 per BOE in the fourth quarter of 2020. The decrease in per unit G&A expenses reflects new production from the Company's drilling program and Acquisitions which were executed with modest incremental overhead.
- Adjusted Funds Flow was $34.6 million after deducting $2.4 million of lease payments and $0.7 million of decommissioning expenditures and adding $0.5 million of cash proceeds from the sale of emissions credits to Adjusted Funds from Operations. In the fourth quarter of 2020, Adjusted Funds Flow was $16.8 million after lease payments of $1.5 million and decommissioning expenditures of $0.7 million.
- Changes in fair value of the Company's derivative financial contracts had a significant impact on earnings during the second half of 2020 and first quarter of 2021 due to volatility of forecast AECO gas prices. Net income for the current quarter includes an unrealized loss of $1.7 million on derivative financial instruments, compared to an unrealized gain of $9.8 million in the fourth quarter of 2020.
- The Company reported net income of $59.2 million ($0.73 per share, diluted) for the three months ended March 31, 2021, up from $12.4 million ($0.18 per share, diluted) in the preceding quarter ended December 31, 2020. The 49% increase in revenue after royalties contributed directly to the Company's bottom line as Spartan's total expenses (before other items and taxes) were substantially unchanged quarter-over-quarter. Income before derivatives, other items and taxes of $28.9 million for the first quarter of 2021 more than tripled compared to $8.5 million in the previous quarter. The increase in net income also reflects the positive impact of the Acquisitions, including a gain of $35.1 million on the Inception Acquisition and amortization of a tax benefit of $6.2 million related to the January 2021 Acquisition which more than offset deferred income tax expense for the quarter.
- The Acquisitions materially improved the Company's future tax horizon. As at March 31, 2021, the Company's total available tax pools are estimated to be $637.0 million, of which approximately 56% are non-capital losses. Estimated tax pools were $117.5 million as of December 31, 2020.
- Total exploration and development capital expenditures of $19.3 million during the first quarter of 2021 were directed primarily to Spartan's drilling program at Ferrier, Alberta. Spartan completed and brought six new wells on production during the first quarter of 2021, in addition to the first two wells of the program which were on stream starting in December 2020.
- Total consideration for the Acquisitions was $151.2 million in aggregate, comprised of: $20.1 million of cash consideration after interim closing adjustments; the issuance of 27.2 million common shares valued at $105.8 million; and the issuance of a convertible unsecured non-interest bearing promissory note with a fair value of $25.3 million on the acquisition date. In addition, Spartan assumed a net working capital deficit of $4.0 million in connection with the corporate acquisitions.
- Spartan raised $124.0 million of gross proceeds from equity financings by issuing 28.5 million common shares at an average subscription price of $4.35 per common share. The March 2021 Financings included a $45.0 million bought-deal prospectus offering and $79.0 million of non-brokered private placements, of which $54.0 million was completed on a flow-through basis in respect of Canadian development expenses. By leveraging the Company's strong tax position, Spartan received a premium of $0.92 per flow-through share and generated additional cash proceeds of $10.1 million. Net proceeds were $119.9 million after issue costs, further bolstering the Company's balance sheet to enable continued pursuit of its acquisition strategy.
- As at March 31, 2021, Spartan had no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Spartan exited the first quarter with a Net Surplus of $98.3 million at March 31, 2021, compared to Net Debt of $12.3 million at December 31, 2020. Total cash capital expenditures of $39.3 million (including acquisitions) were funded primarily by $32.1 million of cash provided by operating activities, supplemented with net proceeds from the March 2021 Financings.

PRODUCTION

	Q1 2021	Q4 2020	% Change	Q1 2020
Average daily production				
Crude oil (bbls/d)	**603**	332	82%	26
Condensate (bbls/d)	**1,338**	1,131	18%	-
NGLs (bbls/d)	**7,115**	6,728	6%	17
Natural gas (mcf/d)	**137,146**	106,912	28%	1,247
Combined average (BOE/d)	**31,914**	26,010	23%	251
% Natural gas	**72%**	69%	4%	83%

Production averaged of 31,914 BOE per day during the first quarter of 2021, up 23% from average production of 26,010 BOE per day in the fourth quarter of 2020. The increase in production is driven primarily by the Company's drilling program in west central Alberta. Spartan completed and brought six new wells on production during the first quarter of 2021, in addition to the first two wells of the program which were on stream starting in December 2020.

The Inception Acquisition and Simonette Acquisition closed on March 18, 2021. Production from the acquired assets is included in Spartan's first quarter results for 14 days and is primarily concentrated in the Gold Creek and Simonette areas of northwest Alberta, and at Noel in northeastern British Columbia. Production from the Willesden Green Acquisition is included for 27 days from closing on March 5, 2021. In aggregate, the Acquisitions contributed approximately 1,330 BOE per day to average production for the three months ended March 31, 2021. The increase in Spartan's crude oil production reflects the higher oil weighting of the Gold Creek Montney assets. Additional information regarding production from the Acquisitions is provided in the "Capital Expenditures" section of this MD&A.

REVENUE

Oil and gas sales

(CA$ thousands, unless otherwise indicated)	Q1 2021	Q4 2020	% Change	Q1 2020
Oil and gas sales, before royalties				
Crude oil	**3,612**	1,465	147%	103
Condensate	**8,675**	5,666	53%	-
NGLs	**18,163**	11,359	60%	63
Natural gas	**38,833**	26,716	45%	207
Oil and gas sales, before royalties	**69,283**	45,206	53%	373
Average realized prices				
Crude oil ($/bbl)	**66.56**	47.95	39%	43.14
Condensate ($/bbl)	**72.01**	54.46	32%	-
NGLs ($/bbl)	**28.37**	18.35	55%	41.27
Natural gas ($/mcf)	**3.15**	2.72	16%	1.83
Combined average ($/BOE)	**24.12**	18.89	28%	16.34

Spartan's oil and gas sales were $69.3 million for the three months ended March 31, 2021, an increase of $24.1 million or 53% compared to the previous quarter ended December 31, 2020. The increase in sales revenue resulted from the 23% increase in production volumes in conjunction with higher commodity prices. Spartan's combined average selling price of $24.12 per BOE ($23.09 per BOE after financial instruments) increased by 28% from the average price of $18.89 per BOE ($17.99 per BOE after financial instruments) in the previous quarter, driven by the significant recovery of crude oil and NGLs prices as well as continued strength of AECO natural gas prices.

The table below outlines the change in benchmark average commodity prices and exchange rates during the periods:

Benchmark commodity prices	**Q1 2021**	Q4 2020	% Change	Q1 2020
WTI Cushing Oklahoma (US$/bbl) (1)	**57.84**	42.66	36%	46.17
WTI Cushing Oklahoma (CA$/bbl) (2)	**73.07**	55.53	32%	61.61
Canadian Light Sweet 40 API ($/bbl) (1)	**68.62**	49.17	40%	52.02
NYMEX Henry Hub (US$/MMBtu) (1)	**2.73**	2.76	(1%)	1.87
AECO 5A ($/GJ) (3)	**2.99**	2.50	20%	1.93
AECO 7A ($/GJ) (4)	**2.77**	2.62	6%	2.03
Exchange rate (CA$/US$) (1)	**1.26**	1.30	(3%)	1.34

(1) Source: Sproule Associates Limited
(2) Calculated based the US$ WTI price multiplied by the average US$/CA$ exchange rate for the month
(3) Source: Canadian Gas Price Reporter (NGX AB-NIT Same Day Index 5A)
(4) Source: Canadian Gas Price Reporter (NGX AB-NIT Month Ahead Index 7A)

During the quarter ended March 31, 2021, natural gas represented 72% of Spartan's production volumes and accounted for 56% of total sales revenue. The Company's natural gas is delivered and sold under AECO based contracts, with approximately 75% priced at AECO 5A and 25% at AECO 7A. Spartan's realized gas price increased by 16% and averaged $3.15 per MCF during the first quarter of 2021 compared to $2.72 per MCF during the fourth quarter of 2020. The increase in Spartan's realized price reflects the weighted average change in the AECO 5A and 7A reference prices which increased by 20% and 6%, respectively, over the corresponding period.

NGLs (excluding condensate) represent 22% of Spartan's total production volumes and contributed proportionately to 26% of total sales revenue during the first quarter of 2021. The Company realized an average NGLs sales price of $28.37 per barrel during the three months ended March 31, 2021, up 55% from $18.35 per barrel in the fourth quarter of 2020. The increase is driven by recovery of the underlying WTI crude oil reference price and strength of Conway propane prices.

Condensate represented 4% of production volumes and contributed to 13% of total sales revenue during the first quarter of 2021. Spartan realized an average price for its condensate sales of $72.01 per barrel for the three months ended March 31, 2021, up 32% from $54.46 per barrel in the previous quarter ended December 31, 2020. The improvement in Spartan's realized price for condensate mirrors the 32% increase in the Canadian dollar equivalent WTI price over the corresponding period. The condensate blended index price has trended with a narrow differential to WTI over the past six months.

Spartan's crude oil production represented 2% of total volumes and 5% of total sales revenue during the first quarter of 2021, up from 1% production and 3% of sales in the fourth quarter of 2020. The modest increase in crude oil volumes reflects 14 days of production from the Inception Acquisition. The Gold Creek Montney assets acquired are more oil weighted than the Company's core land holdings in west central Alberta.

Gains and losses on derivative financial instruments

Spartan has financial swap contracts in place to fix the price of natural gas to the AECO 7A monthly index price. The contracts were established in June 2020 to satisfy certain one-time minimum hedging requirements under the Credit Facility. As at March 31, 2021, the average fixed price on the notional volumes hedged over the remaining contract terms is summarized as follows:

- $2.23 per GJ on 45,000 GJs per day from April 1, 2021 to October 31, 2021; and
- $2.25 per GJ on 35,000 GJs per day from November 1, 2021 to March 31, 2022.

During the three months ended March 31, 2021, the Company had a notional 60,000 GJs per day hedged at an average price of $2.23 per GJ. The AECO 7A monthly index price averaged $2.77 per GJ during the period resulting in a realized loss of $3.0 million.

The fair value of these contracts is marked-to-market at the end of each reporting period based on the current forecast for AECO natural gas prices. The estimated fair value of these contracts over the remaining contract term resulted in a derivative financial instrument liability of $4.9 million as of March 31, 2021, up from a liability of $3.1 million as of December 31, 2020. The unrealized loss of $1.7 million during the first quarter reflects a stronger outlook for AECO compared to the previous quarter. (See also, "Commodity Price Risk".)

The table below summarizes the realized and unrealized component of the gain or loss on derivative financial instruments during the periods:

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Realized gain (loss)	**(2,963)**	(2,164)	37%	-
Change in unrealized gain (loss)	**(1,739)**	9,826	(118%)	-
Gain (loss) on derivative financial instruments	**(4,702)**	7,662	(161%)	-
Realized gain (loss) ($ per BOE)	**(1.03)**	(0.90)	14%	-

Royalties

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Crude oil	**264**	115	130%	1
Condensate, before GCA	**2,853**	2,040	40%	-
NGLs, before GCA	**4,428**	2,688	65%	22
Natural gas, before GCA	**4,531**	3,090	47%	18
Gas cost allowance ("GCA")	**(3,359)**	(3,124)	8%	(40)
Total royalties	**8,717**	4,809	81%	1
$ per BOE	**(3.03)**	(2.01)	51%	(0.06)
Average royalty rate (% of sales)	**12.6%**	10.6%	19%	0.4%

For the three months ended March 31, 2021, Spartan's royalties of $8.7 million resulted in an average royalty rate of 12.6% of oil and gas sales. The average royalty rate increased compared to 10.6% in the fourth quarter of 2020 primarily due to higher commodity prices. Royalties are reported net of gas cost allowance ("GCA") credits which do not fluctuate with natural gas or NGLs prices.

Processing and other revenue

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Processing and other	**1,790**	1,578	13%	45
$ per BOE	**0.62**	0.66	(6%)	1.96

Processing and other revenue primarily relates to gas processing and other fees earned on third party volumes processed through the Company's facilities.

OPERATING EXPENSES

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Operating expenses	**14,534**	13,583	7%	515
$ per BOE	**5.06**	5.68	(11%)	22.57

Total operating expenses were $14.5 million for the three months ended March 31, 2021, reflecting a 7% increase compared to total operating expenses of $13.6 million in the previous quarter. Spartan's production volumes increased by 23% quarter-over-quarter, resulting in an 11% decrease in per unit operating costs which averaged $5.06 per BOE for the quarter ended March 31, 2021. The decrease in per unit operating expenses reflects a material reduction of operating costs in the Company's west central Alberta core area, partly offset by higher average operating costs on the recently acquired properties.

Since completing the BXE Asset Acquisition in June 2020, the Company has reduced average operating expenses in its west central Alberta core area by approximately 30% on a BOE basis. Spartan plans to apply principles consistent with its current operations and has identified opportunities to improve efficiencies, optimize production and reduce operating costs on the assets acquired through the Inception Acquisition and Simonette Acquisition.

TRANSPORTATION EXPENSES

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Transportation expenses	**3,855**	3,288	17%	-
$ per BOE	**1.34**	1.37	(2%)	-

Average transportation expenses of $1.34 per BOE during the first quarter of 2021 are relatively in line with the previous quarter average of $1.37 per BOE. Spartan has assumed certain firm transportation contracts in connection with the Acquisitions (additional information is provided under the heading "Commitments and Contingencies"). Transportation charges incurred up to the point control transfers to the purchaser are recognized as transportation expenses in the period incurred.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Salaries and benefits	**3,055**	3,627	(16%)	433
Other G&A expenses	**1,627**	1,336	22%	425
Change in expected credit loss provision	**133**	40	233%	10
G&A expenses, before recoveries ("Gross G&A")	**4,815**	5,003	(4%)	868
Overhead recoveries	**(1,322)**	(1,008)	31%	(7)
Canada Emergency Wage Subsidy ("CEWS")	**-**	(444)	(100%)	-
G&A expenses, net of recoveries ("Net G&A")	**3,493**	3,551	(2%)	861
Gross G&A ($ per BOE)	**1.68**	2.09	(20%)	38.05
Net G&A ($ per BOE)	**1.22**	1.48	(18%)	37.76

The Company incurred G&A expenses, before recoveries, of $4.8 million during the first three months of 2021. Gross G&A expenses appear 4% lower than the previous quarter because salaries and benefits included an increase to bonus provision of $0.8 million during the fourth quarter of 2020. Gross G&A expenses increased relative to the normalized comparative quarter as Spartan hired new employees and consultants to support the Company's growth in connection with the Acquisitions.

Net G&A expenses were $3.5 million after recoveries for the quarter ended March 31, 2021. General overhead recoveries increased during the current quarter in conjunction with higher capital expenditures, however Spartan did not qualify for a subsidy under the CEWS program as a result of higher revenues in the first quarter of 2021.

Spartan realized an 18% decrease in per unit G&A expenses which averaged $1.22 per BOE in the first quarter of 2021 compared to $1.48 per BOE in the fourth quarter of 2020. The decrease in per unit G&A expenses reflects new production from the Company's drilling program and Acquisitions which were executed with modest incremental overhead.

SHARE BASED COMPENSATION

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Stock options	**750**	677	11%	-
Share awards	**240**	-	-	-
Share based compensation expense	**990**	677	46%	-
$ per BOE	**0.34**	0.28	21%	-

Share based compensation expense for the three months ended March 31, 2021 was $1.0 million ($0.34 per BOE), up from $0.7 million ($0.28 per BOE) in the preceding quarter. As part of the Company's long-term incentive program, Spartan has a stock option plan and share award plan under which options and share awards may be granted to officers, directors, employees and consultants. On March 11, 2021, Spartan granted 1.7 million restricted share awards ("RSAs") and 1.1 million stock options with an average exercise price of $4.08 per share. The stock options granted had an average fair value of $1.98 per share estimated on the grant date using the Black-Scholes option pricing model. Each RSA entitles the holder to receive one common share of the Company for no additional consideration on the vesting date. Share based compensation expense is recognized over the three-year vesting period for options and RSAs using graded amortization.

FINANCING

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Interest and fees on bank debt	**357**	450	(21%)	-
Financing cost of lease liabilities	**716**	731	(2%)	-
Accretion of decommissioning obligations	**324**	290	12%	31
Financing expenses	**1,397**	1,471	(5%)	31
Interest income	**(1)**	-	nm	(79)
Financing	**1,396**	1,471	(5%)	(48)
Average bank debt outstanding during period	**1,687**	8,177	(79%)	-
Interest expense, net of interest income ($ per BOE)	**0.12**	0.19	(37%)	(3.48)
Financing ($ per BOE)	**0.48**	0.62	(23%)	(2.10)

Total financing expenses were $1.4 million for the first three months of 2021, down 5% from the preceding quarter driven by lower cash interest and fees on bank debt. Interest and fees on bank debt of $0.4 million ($0.12 per BOE) during the first quarter of 2021 primarily includes standby fees on the undrawn facility and amortization of the upfront fees incurred to establish the Credit Facility in June 2020. Interest on borrowings was minimal.

Non-cash financing costs related to lease liabilities and accretion of decommissioning obligations were substantially unchanged at $1.0 million in the first quarter of 2021 and fourth quarter of 2020.

The Company raised net proceeds of $119.9 million from equity financings which closed on March 18, 2021. As at March 31, 2021, Spartan had $109.6 million of cash on hand which is held on deposit with a Canadian Chartered Bank in an interest-bearing account. Interest income for the 14 day period from closing of the financings was not significant.

DEPLETION, DEPRECIATION AND IMPAIRMENT (“DD&I”)

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Depletion and depreciation of PP&E	**7,419**	9,068	(18%)	911
Depreciation of ROU Assets	**1,805**	1,799	0%	-
Depletion and depreciation	**9,224**	10,867	(15%)	911
Impairment of PP&E	**-**	-	-	2,998
Total DD&I expense	**9,224**	10,867	(15%)	3,909
Depletion and depreciation ($ per BOE)	**3.21**	4.54	(29%)	39.95
Total DD&I expense ($ per BOE)	**3.21**	4.54	(29%)	171.34

The Company reported depletion and depletion (“D&D”) expense of $9.2 million ($3.21 per BOE) for the first quarter of 2021, compared to $10.9 million ($4.54 per BOE) in the fourth quarter of 2020. Changes in estimated decommissioning costs impact the carrying amount of PP&E subject to depletion. Depletion expense for the first quarter includes a recovery of $2.5 million due to an increase in the discount rate which reduced the present value of decommissioning obligations as at March 31, 2021 (see also, “Decommissioning Obligations”). By comparison, depletion expense for the fourth quarter of 2020 included $1.2 million of incremental decommissioning expenses related to changes in estimates for inactive properties that were previously fully depleted. Excluding the impact of decommissioning estimates, per unit D&D expenses are substantially in line at $4.07 per BOE and $4.02 per BOE during the quarters ended March 31, 2021 and December 31, 2020, respectively.

Spartan assessed each of its cash generating units (“CGUs”) for indicators of potential impairment as at March 31, 2021 and concluded there are no indicators of impairment (or reversals of previously recognized impairments). As at

March 31, 2020, the Company recognized an impairment loss of $3.0 million on its Peace River Arch CGU as a result of the significant decrease in forecast commodity prices compared to forecast prices as at December 31, 2019.

OTHER INCOME (EXPENSES)

(CA$ thousands)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Gain on sale of assets	**32**	212	(85%)	-
Gain on acquisition	**35,134**	-	nm	-
Transaction costs	**(688)**	(7)	nm	-
Other income	**634**	203	212%	-
Change in fair value of convertible promissory note	**(456)**	-	nm	-
Other income, net of other expenses	**34,656**	408	nm	-

Spartan completed minor dispositions of corporate assets for aggregate cash proceeds of $62 thousand during the quarter ended March 31, 2021, and recognized a gain of $32 thousand.

A gain on acquisition of $35.1 million was recognized on the Inception Acquisition as the total fair value of consideration paid was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools assumed by acquiring the corporate entity. Inception's unused tax pools were estimated to be $287.1 million on the acquisition date, of which approximately half are non-capital losses. Unused tax losses and deductible temporary differences resulted in a deferred income tax asset of $39.5 million, net of a deferred income tax liability on taxable temporary differences of $5.7 million. Deferred tax assets are 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. Based on forecast cash flows in the Inception reserves report, Spartan expects the successored properties to generate sufficient taxable income in the future to utilize the deductions from successored resource pools estimated to be $114.8 million. Spartan also expects to generate sufficient taxable income corporately to utilize the non-capital losses prior to expiry in years 2033 to 2040.

During the first quarter of 2021, Spartan expensed $0.7 million of transaction costs in respect of business combinations including the Inception Acquisition, Simonette Acquisition, and Willesden Green Acquisition. In addition, approximately $0.1 million of costs related to the issuance of share consideration for certain acquisitions was charged directly to equity, net of deferred tax. Approximately $0.1 million of transaction costs were capitalized in respect of the January 2021 Acquisition which was accounted for as an asset acquisition.

Other income of $0.6 million includes $0.1 million of funding earned through the Alberta provincial government Site Rehabilitation Program ("SRP") (refer to additional information under the heading "Decommissioning Obligations") as well as $0.5 million of cash proceeds from the sale of emissions credits during the first quarter of 2021.

The Convertible Note issued in connection with the Inception Acquisition is measured at FVTPL and will be revalued based on Spartan's closing share price at the end of each reporting period. The fair value of the Convertible Note increased from $25.3 million on March 18, 2021 to $25.7 million as of March 31, 2021, resulting in an unrealized loss of approximately $0.5 million during the quarter due to appreciation of the Company's share price.

INCOME TAXES

(CA$ thousands)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Current income tax	**-**	-	-	-
Deferred income tax expense (recovery)	**(346)**	4,250	(108%)	-
Income tax expense (recovery)	**(346)**	4,250	(108%)	-

Spartan's combined federal and provincial statutory tax rate was 23.0% during the quarter ended March 31, 2021, compared to an average of 24.0% for the year ended December 31, 2020. The deferred tax recovery of $0.3 million recognized in the first quarter of 2021 differs from the expected amount of tax expense based on the statutory rate primarily due to the gain on the Inception Acquisition of $35.1 million which is not taxable. In addition, the Company has an unrecognized deferred tax asset related to non-capital losses ("NCLs") acquired through the January 2021 Acquisition. Spartan's accounting policy is to recognize the previously unrecognized NCLs in proportion to the estimated amount of taxable income generated each period. For the three months ended March 31, 2021, taxable income is estimated to be approximately $26.9 million resulting in a recovery $6.2 million which more than offset deferred income tax expense for the quarter.

Approximately $0.9 million of deferred income taxes were charged directly to equity in respect of share issue costs incurred during the first quarter of 2021 (nil for the comparative periods of 2020).

Spartan was not required to pay income taxes in the current or prior quarter as the Company had sufficient income tax deductions available to shelter taxable income. The Acquisitions completed during the first quarter of 2021 have materially enhanced Spartan's future tax horizon. As at March 31, 2021, total available tax pools are estimated to be $637.0 million, up from $117.5 million as of December 31, 2020.

The composition of the Company's estimated available tax pools as at March 31, 2021 is summarized below:

(CA$ thousands, unless otherwise indicated)	Deduction Rate (1)	**Amount**	% of Total
Canadian oil and gas property expenses (COGPE)	10%	**98,527**	15%
Canadian development expenses (CDE)	30%	**125,471**	20%
Canadian exploration expenses (CEE)	100%	**8,062**	1%
Undepreciated capital cost (UCC) (2)	25%	**45,188**	7%
Share issue costs (SIC)	5 years	**5,838**	1%
Non-capital losses (NCL) (3)(4)	100%	**353,869**	56%
Total available tax pools (estimate) (4)(5)		**636,955**	100%

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

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

(3) NCLs expire in years 2035 to 2040.

(4) Includes $154.9 million of non-capital losses that are not recognized in Spartan's deferred income tax asset on the Consolidated Statement of Financial Position as at March 31, 2021.

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

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(CA$ thousands, unless otherwise indicated)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Revenue	**62,356**	41,975	49%	417
Expenses	**(33,492)**	(33,437)	0%	(5,237)
Income (loss) before derivatives, other items and taxes	**28,864**	8,538	238%	(4,820)
Gain (loss) on derivative financial instruments	**(4,702)**	7,662	(161%)	-
Other income, net of other expenses	**34,656**	408	nm	-
Income (loss) before income taxes	**58,818**	16,608	254%	(4,820)
Income tax expense (recovery)	**(346)**	4,250	(108%)	-
Net income (loss) and comprehensive income (loss)	**59,164**	12,358	379%	(4,820)
WA common shares outstanding – basic (000s)	**68,293**	58,220	17%	26,106
WA common shares outstanding – diluted (000s)	**81,591**	68,859	18%	26,106[1]
Net income (loss) $ per share – basic	**0.87**	0.21	314%	(0.18)
Net income (loss) $ per share – diluted	**0.73**	0.18	306%	(0.18)

(1) In computing the diluted net loss per share for the comparative quarter ended March 31, 2020, the outstanding warrants were excluded from the diluted weighted average shares outstanding because they were antidilutive.

The Company reported net income of $59.2 million ($0.73 per share, diluted) for the quarter ended March 31, 2021, up from $12.4 million ($0.18 per share, diluted) in the previous quarter ended December 31, 2020. The 49% increase in revenue contributed directly to the Company's bottom line as Spartan's total expenses (before other items and taxes) were substantially unchanged quarter-over-quarter. Income before derivatives, other items and taxes of $28.9 million for the first quarter of 2021 more than tripled compared to $8.5 million in the previous quarter, highlighting the robust economics of Spartan's west-central Alberta focused drilling program in a rising commodity price environment. In addition, the acquired properties contributed to $4.7 million of incremental accrued revenue (after royalties) and $2.6 million of estimated Operating Income for the short period following the respective closing dates of the Acquisitions.

The significant increase in net income also reflects the positive impact of the Acquisitions on the Company's future tax horizon. Spartan recorded a gain of $35.1 million on the Inception Acquisition and a corresponding deferred income tax asset of $33.8 million. The Company also amortized a tax benefit of $6.2 million related the January 2021 Acquisition which more than offset deferred income tax expense for the quarter. As a result, Spartan's deferred income tax recovery was $0.3 million on $58.8 million of income before taxes for the three months ended March 31, 2021.

Changes in the fair value of derivative financial instruments had a significant impact on earnings during the current and prior quarter due to the volatility of forecast AECO gas prices. Net income for the first quarter of 2021 includes an unrealized loss of $1.7 million on derivative financial instruments, compared to an unrealized gain of $9.8 million in the fourth quarter of 2020.

The Company did not have significant assets or operations prior to completing the BXE Asset Acquisition in June 2020. The net loss reported in the first quarter of 2020 was primarily due to an impairment loss of $3.0 million on the Company's legacy assets due to the COVID-19 pandemic.

CASH PROVIDED BY OPERATING ACTIVITIES AND ADJUSTED FUNDS FROM OPERATIONS

The following table provides a continuity of income and expenses included in the Company's calculation of Operating Income, Adjusted Funds from Operations, and Funds from Operations generated during the first quarter of 2021 and fourth quarter of 2020, respectively, as well as the average Netback ($ per BOE) for each component. Operating Income, Adjusted Funds from Operations, Funds from Operations, and Netbacks are non-GAAP measures used by Spartan as key measures of performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by (used in) operating activities, income or other measures of financial performance calculated in accordance with GAAP/IFRS. The Company refers to Operating Income (Loss) expressed per unit of production as an "Operating Netback". Similarly, Spartan's "Corporate Netback" is equal to Adjusted Funds from Operations expressed per unit of production.

First Quarter 2021 vs Fourth Quarter 2020 (1)	**Q1 2021**		Q4 2020		% change
(CA$ thousands, except per BOE amounts)	**Amount**	**$/BOE**	Amount	$/BOE	$/BOE
Revenue	**62,356**	**21.71**	41,975	17.54	24%
Realized loss on derivative financial instruments	**(2,963)**	**(1.03)**	(2,164)	(0.90)	14%
Operating expenses	**(14,534)**	**(5.06)**	(13,583)	(5.68)	(11%)
Transportation expenses	**(3,855)**	**(1.34)**	(3,288)	(1.37)	(2%)
Operating Income / Operating Netback (2)	**41,004**	**14.28**	22,940	9.59	49%
G&A expenses	**(3,493)**	**(1.22)**	(3,551)	(1.48)	(18%)
Interest expense, net of interest income	**(356)**	**(0.12)**	(450)	(0.19)	(37%)
Adjusted Funds from Operations / Corporate Netback (2)	**37,155**	**12.94**	18,939	7.92	63%
Other income (3)	**533**	**0.19**	-	-	nm
Settlement of decommissioning obligations	**(671)**	**(0.23)**	(693)	(0.29)	(21%)
Transaction costs	**(688)**	**(0.24)**	(7)	-	nm
Funds from Operations (2)	**36,329**	**12.66**	18,239	7.63	66%
Change in non-cash working capital	**(4,222)**	**(1.47)**	(2,175)	(0.91)	62%
Cash provided by operating activities	**32,107**	**11.19**	16,064	6.72	67%

(1) Spartan has provided the fourth quarter of 2020 as the comparative period in this table because cash flows were nominal in the first quarter of 2020. Specifically, the Company used $0.5 million of cash in operations during the three months ended March 31, 2020. Management believes the presentation above provides more useful information to the reader.

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

(3) Excludes non-cash other income earned through the Alberta SRP program.

The Company generated Adjusted Funds from Operations of $37.2 million ($0.46 per share, diluted) during the three months ended March 31, 2021, resulting in a Corporate Netback of $12.94 per BOE. After settlements of decommissioning obligations of $0.7 million, transaction costs on acquisitions of $0.7 million, and including other income from the sale of emissions credits of $0.5 million, Funds from Operations was $36.3 million for the first quarter of 2021.

Spartan's Adjusted Funds from Operations increased by $18.2 million compared to the previous quarter ended December 31, 2020. The increase was driven by $19.6 million of incremental revenues after financial instruments partly offset by a marginal increase in total operating and transportation expenses in conjunction with higher production. Total cash provided by operating activities of $32.1 million for the three months ended March 31, 2021, is net of a $4.2 million change in non-cash working capital. The change in non-cash working capital can vary significantly each period based on the timing of processing payments and changes in accounts receivable.

As at March 31, 2021, Spartan had $109.6 million of cash on hand.

CAPITAL EXPENDITURES

Spartan is focused on accretively growing the Company through a targeted acquisition and consolidation strategy. Simultaneously, Spartan continues to focus on expanding its internally generated prospects and optimization of its existing asset base.

(CA$ thousands)	**Q1 2021**	Q4 2020	% Change	Q1 2020
Lease acquisition and retention	**268**	54	396%	6
Geological and geophysical	**112**	97	15%	34
Drilling and completion	**16,534**	11,324	46%	-
Facilities, pipeline and well equipment	**1,574**	1,779	(12%)	137
Production optimization workovers	**524**	610	(14%)	189
Corporate assets	**270**	139	94%	10
Capital expenditures, before A&D	**19,282**	14,003	38%	376
Acquisitions (1)(2)	**20,066**	431	nm	-
Dispositions	**(62)**	(88)	(30%)	-
Total cash capital expenditures (1)	**39,286**	14,346	174%	376

(1) Excludes non-cash consideration for acquisitions, refer to additional information below.

(2) References to the "Acquisitions" throughout this MD&A collectively refers to the Inception Acquisition, Simonette Acquisition, Willesden Green Acquisition, and the January 2021 Acquisition, which are defined and described below.

Total capital expenditures (before acquisitions and dispositions) were $19.3 million for the three months ended March 31, 2021. Spartan executed an 8 (8.0 net) well winter drilling program in its core area at Ferrier, Alberta, during the fourth quarter of 2020 and first quarter of 2021. The program included one Cardium well and seven Spirit River wells, two of which were completed and brought on production in December 2020 and the remaining six wells were brought on-stream throughout the first quarter of 2021. The average DCET capital expenditure was approximately $3.8 million per well, which was 6% lower than internal estimates with the savings attributed to faster drilling and efficiencies achieved through drilling from existing pads.

Spartan also closed four strategic acquisitions during the first quarter of 2021 which have added a new Montney focused core area in northwest Alberta. Total consideration for the Acquisitions was $151.2 million in aggregate, comprised of: $20.1 million of cash consideration after interim closing adjustments; the issuance of 27.2 million common shares valued at $105.8 million; and the issuance of a convertible promissory note with an acquisition date fair value of $25.3 million ($50.0 million principal amount). In addition, Spartan assumed a net working capital deficit of $4.0 million in connection with the corporate acquisitions.

January 2021 Acquisition

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

The January 2021 Acquisition was accounted for as an asset acquisition because the transaction did not meet the definition of a business combination under IFRS 3. Accordingly, the net assets acquired were initially recognized on the balance sheet at their cost of $8.0 million (net of working capital), which was allocated to the individual identifiable assets and liabilities based on relative fair values. The purchase price allocation resulted in a deferred income tax asset of $8.5 million, decommissioning obligations of $0.5 million, and the proportionate value allocated to E&E and PP&E was not significant. The accounting for the January 2021 Acquisition also resulted in an unrecognized deferred income tax asset of $41.8 million on the acquisition date, which will be recognized in future earnings in proportion to NCLs used to offset the Company's taxable income. Spartan recognized $6.2 million during the first quarter and $35.6 million remains unrecognized as at March 31, 2021.

Willesden Green Acquisition

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

The purchase price for the Willesden Green Acquisition was allocated to the net assets acquired based on estimated fair values, including $6.7 million of PP&E, $0.2 million of E&E, and $1.7 million of decommissioning obligations.

Simonette Acquisition

On March 18, 2021, Spartan acquired certain petroleum and natural gas assets located primarily in the Simonette area of northwest Alberta for total consideration of $20.3 million after estimated closing adjustments (the "Simonette Acquisition"). The gross purchase price was comprised of the issuance of 1,493,180 common shares and $17.2 million of cash, before closing adjustments. Adjustments to the cash purchase price were estimated to be approximately $2.6 million between the effective date of January 1, 2021 and closing. The fair value of the common share consideration was $5.8 million based on Spartan's closing share price of $3.88 per common share on March 18, 2021.

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

The net assets acquired pursuant to the Simonette Acquisition were recognized at their estimated fair values on the acquisition date resulting in $35.5 million of PP&E, $3.0 million of E&E, and decommissioning obligations of $18.2 million.

Inception Acquisition

On March 18, 2021, Spartan closed the acquisition of Inception Exploration Ltd. ("Inception") by way of an exempt take-over bid for total consideration of $117.4 million, plus the assumption of Inception's estimated working capital deficit of $4.2 million (the "Inception Acquisition"). Inception was an oil-weighted Montney focused private company with operations primarily in the Gold Creek area of northwest Alberta, in the vicinity of the Company's lands acquired pursuant to the January 2021 Acquisition. The Inception Acquisition anchors a second core development area for Spartan with over 30,000 net acres of delineated Montney acreage, current production of approximately 3,700 BOE per day during March (45% crude oil, 9% NGLs, 46% natural gas), and 100% working interests in a 10 Mbbl/d operated central oil battery and a 40 MMcf/d operated natural gas processing facility in Gold Creek with excess capacity to support significant production growth.

The Company acquired all of the issued and outstanding common shares of Inception in exchange for 23,734,384 common shares of Spartan, the majority of which were issued to a major shareholder and debtholder of Inception, ARETI Energy S.A. (“ARETI”). Upon closing of the Inception Acquisition, ARETI assumed ownership and control over 23,675,779 Spartan common shares representing approximately 20.8% of the total number of Spartan common shares issued and outstanding on a non-diluted basis (see also, “Related Party Disclosures”). The fair value of common share consideration was $92.1 million based on Spartan’s closing share price on the TSXV of $3.88 per common share on March 18, 2021. In addition, Spartan issued a $50.0 million Convertible Note to ARETI (the “Noteholder”). The fair value of the Convertible Note was estimated to be approximately $25.3 million on the acquisition date. Additional information regarding the terms and valuation of the Convertible Note is provided under the heading “Capital Resources and Liquidity”.

The net assets acquired were recorded at their estimated fair value on the acquisition date of $152.5 million, comprised of a working capital deficit of $4.2 million, $110.0 million of PP&E, $7.2 million of E&E, $7.5 million of other assets, $1.0 million lease liabilities and corresponding ROU assets, $1.8 million of decommissioning obligations, and a deferred income tax asset of $33.8 million. A gain of $35.1 million was recognized as the total consideration was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools acquired and the resulting deferred income tax asset.

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

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

Inception was vertically amalgamated with Spartan on the closing date. A wholly owned subsidiary of Inception, Inception General Partner Inc. (“Inception GP”), was not amalgamated and continues to operate as a separate legal entity. The operations and balances of Inception GP have been consolidated and are not material to Spartan.

DECOMMISSIONING OBLIGATIONS

Spartan is committed to environmental stewardship and seeks to maintain an industry leading Liability Management Rating with a proactive program to address its decommissioning obligations. The Company spent $0.7 million on decommissioning during the first quarter of 2021 and expects to spend approximately $2.8 million over the next twelve months.

As part of Alberta’s economic recovery plan, the provincial government implemented the Site Rehabilitation Program (“SRP”), which provides grants to oil field service contractors to perform well, pipeline, and oil and gas site closure and reclamation work. The SRP has up to $1 billion in funding available for eligible abandonment and reclamation projects in Alberta, which will be funded from the federal government’s COVID-19 Economic Response Plan. Spartan evaluated its opportunities to utilize the program and earned $0.1 million of SRP funding during the first quarter of 2021 and $0.2 million in the fourth quarter of 2020. In addition, the Company has received allocations for an additional $1.7 million of funding for abandonment and reclamation projects budgeted to be completed in 2021 and 2022. Recoveries under the SRP are recognized in the financial statements in the period in which the work is completed.

The undiscounted amount of decommissioning obligations acquired pursuant to the Acquisitions is approximately $45.3 million ($65.9 million inflated at 2.0%). The fair value of decommissioning obligations acquired of $22.2 million was estimated by discounting the inflated cost estimates using a “credit-adjusted risk-free rate” on the respective closing dates of the Acquisitions. The obligations acquired were immediately 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 resulted in an increase in the present value of decommissioning obligations acquired by $22.8 million.

The following table provides a reconciliation of the change in the carrying amount of Spartan’s decommissioning liabilities during the first quarter ended March 31, 2021:

(CA$ thousands)	**March 31, 2021**
Balance, beginning of year	**98,087**
Obligations incurred	**196**
Obligations acquired	**22,169**
Discount rate adjustment on obligations acquired	**22,823**
Obligations settled	**(671)**
Obligations settled through government grant	**(101)**
Changes in discount rate	**(13,045)**
Changes in estimates	**(108)**
Accretion	**324**
Balance, end of period	**129,674**
Liabilities expected to be settled within one year	**2,808**
Liabilities expected to be settled beyond one year	**126,866**

As at March 31, 2021, the undiscounted amount of the estimated cash flows required to settle the Company's decommissioning obligations is $128.2 million ($193.9 million inflated at 2.00%). The carrying amount of liabilities expected to be settled beyond one year of $126.9 million was determined by discounting the inflated future cost estimates at a risk-free rate of 1.97% as at March 31, 2021 (1.21% as at December 31, 2020). The increase in risk-free interest rate during the first quarter of 2021 reflects an improved economic outlook and recovery of long-term Canadian benchmark bond yields compared to 2020. The increase in discount rate resulted in a decrease in the carrying amount of decommissioning obligations by $13.0 million as at March 31, 2021 compared to December 31, 2020.

CAPITAL RESOURCES AND LIQUIDITY

Spartan's capital management objectives are to maintain a flexible capital structure in order to meet its financial obligations, execute on strategic opportunities throughout the business cycle and respond to changes in economic conditions. As at March 31, 2021, the Company's capital structure is comprised of working capital, bank debt, a convertible promissory note, and shareholders' equity. The Company's existing capital resources are sufficient to satisfy its financial obligations for the next twelve months.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Trailing Adjusted Funds Flow" ratio, which is a non-GAAP financial measure calculated as the ratio of the Company's "Net Debt" to "Trailing Adjusted Funds Flow" (definitions and details of the underlying calculation of the annualized Trailing Adjusted Funds Flow are provided under the heading "Non-GAAP Measures"). As at March 31, 2021, Spartan has a Net Surplus of $98.3 million therefore the "Net Debt to Trailing Adjusted Funds Flow" ratio is not meaningful as of the current reporting period.

(CA$ thousands, except as noted)	**March 31, 2021**	December 31, 2020
Cash	**(109,601)**	(2,686)
Accounts receivable	**(34,524)**	(20,475)
Prepaid expenses and deposits	**(2,725)**	(1,529)
Accounts payable and accrued liabilities	**45,739**	34,149
Current portion of decommissioning obligations	**2,808**	2,833
Adjusted Working Capital deficit (surplus)	**(98,303)**	12,292
Bank debt	**-**	-
Net Debt (Surplus)	**(98,303)**	12,292
Trailing Adjusted Funds Flow	**138,468**	67,184
Net Debt to Trailing Adjusted Funds Flow	**nm**	0.2x

The Company's primary sources of funds are cash provided by operating activities and the Credit Facility which has an authorized borrowing amount of $100.0 million. In addition, Spartan raised net proceeds of $119.9 million from equity financings during the first quarter of 2021 (see "Share Capital").

During the three months ended March 31, 2021, Spartan generated cash provided by operating activities of $32.1 million which was used to fund the Company's exploration and development capital expenditures of $19.3 million, lease payments of $2.4 million, and the cash purchase price for the Willesden Green Acquisition of $5.2 million. Total consideration for the Acquisitions was $151.2 million in aggregate, comprised of $20.1 million of cash, $105.8 million of common share consideration, and the issuance of a convertible promissory note with a fair value of $25.3 million on the acquisition date. Spartan temporarily advanced $15.0 million on the Credit Facility to fund the cash purchase price for the Simonette Acquisition on March 18, 2021, which was subsequently repaid using proceeds from the equity financings.

As at March 31, 2021, Spartan had $109.6 million of cash on hand and no bank debt outstanding. The Company is well positioned to execute on its strategic growth plans. Future exploration and development capital expenditures are expected to be funded primarily by cash provided by operating activities during 2021. Future acquisitions, which are part of Spartan's growth strategy, are expected to be funded through a combination of cash on hand, cash provided by operating activities and bank debt, and may be supplemented by new equity or debt offerings.

The following table provides a contractual maturity of the Company's financial liabilities and undiscounted lease liabilities as at March 31, 2021:

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	45,739	-	-	45,739
Derivative financial instruments	4,876	-	-	4,876
Standby fees on Credit Facility (1)	720	120	-	840
Convertible promissory note (2)	-	25,749	-	25,749
Undiscounted lease liabilities (3)	10,091	45,963	2,762	58,816
Total	**61,426**	**71,832**	**2,762**	**136,020**

(1) The Company has no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Standby fees were estimated at 0.75% of the undrawn borrowing base for the period from April 1, 2021 to the term maturity date of May 31, 2022.

(2) The principal amount of the Convertible Note is $50.0 million and shall be payable on the maturity date of March 18, 2026, in the event Spartan does not elect to exercise its option to settle the obligation by converting to common shares. The carrying amount above reflects its fair value based on Spartan's closing share price of $3.95 per common share on March 31, 2021.

(3) As at March 31, 2021, the present value of the Company's total lease liability is $49.2 million, of which approximately $7.5 million is expected to be settled in the next twelve months.

CREDIT FACILITY

On June 1, 2020, the Company established a revolving committed term credit facility with a syndicate of lenders comprised of National Bank of Canada, ATB Financial and Canadian Western Bank (together, the "Lenders"). The Credit Facility has an authorized borrowing amount of $100.0 million and is available for a revolving period of 364 days maturing on May 31, 2022 and may be extended annually at the Company's option and subject to approval of the Lenders, with a 365 day term-out period if not renewed. As at March 31, 2021, Spartan had no bank debt outstanding (December 31, 2020 – nil). The Company has issued $4.0 million of standby letters of credit which are undrawn.

The Credit Facility is subject to semi-annual borrowing base reviews, occurring on or before May 31 and November 30 of each year. In the event that the lenders reduce the borrowing base below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the Lenders. Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties.

There are no financial covenants under the Credit Facility and Spartan is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted dispositions (to a maximum in each calendar year which are in the aggregate not more than 5% of the borrowing base then in effect), permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a first fixed and floating charge debenture over all assets in the amount of $250.0 million and general assignment of book debts.

CONVERTIBLE PROMISSORY NOTE

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

As at March 31, 2021, the maximum number of Spartan common shares issuable on conversion of the Convertible Note is 6,518,905 common shares, based on the initial principal amount of $50.0 million divided by the minimum conversion price of $7.67 per common share. For all periods in which Spartan's share price is less than $7.67, the Convertible Note is assumed to be "in-the-money" and the maximum number of shares potentially issuable on conversion is included in the calculation of the diluted weighted average common shares outstanding. In the event Spartan does not elect to exercise its option to settle the obligation by converting to common shares, the principal amount outstanding shall be due and payable to the Noteholder at the end of the five-year term.

The Convertible Note is measured at FVTPL and will be revalued based on Spartan's closing share price at the end of each reporting period (Level 1 fair value measurement). The fair value of the Convertible Note increased from $25.3 million on March 18, 2021 to $25.7 million as of March 31, 2021, resulting in an unrealized loss of approximately $0.5 million during the period. The fair value increased due to appreciation of the Company's share price from $3.88 on the issue date to $3.95 per common share on March 31, 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, and an unlimited number of special shares, each without par value. As at March 31, 2021 and as of the date hereof, there are 113.9 million common shares outstanding (58.2 million as at December 31, 2020). There are no preferred shares or special shares outstanding. During the first quarter of 2021, Spartan issued 28.5 million common shares for gross proceeds of $124.0 million pursuant to the March 2021 Financings and issued an aggregate of 27.2 million common shares as consideration for certain acquisitions.

The Company's common shares trade on the TSXV under the symbol "SDE". The volume weighted average trading price of Spartan's shares on the TSXV was $3.94 per common share during the quarter ended March 31, 2021, compared to $2.95 per common share during the previous quarter ended December 31, 2020. Spartan's closing price was $3.95 on March 31, 2021 compared to $2.98 on December 31, 2020.

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

Number of securities outstanding (000s)	December 31, 2020	**March 31, 2021**	**May 10, 2021**
Common shares	58,226	**113,932**	**113,932**
Warrants [1]	16,084	**16,084**	**16,084**
Stock options [2]	3,400	**4,487**	**4,487**
Share awards	-	**1,722**	**1,722**
Convertible Note	-	**6,519**	**6,519**
Total securities outstanding [3]	77,710	**142,744**	**142,744**

(1) The common share purchase warrants have an exercise price of $1.00 per share and are fully vested. If the remaining warrants are exercised by the holders, the warrants will provide aggregate cash proceeds of $16.1 million to the Company.

(2) The outstanding stock options have an average exercise price of $3.26 per common share with an average remaining term of 4.4 years.

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

The table below summarizes the weighted average ("WA") number of common shares outstanding (000s) used in the calculation of diluted net income (loss) per share and Adjusted Funds from Operations per share:

(000s)	**Q1 2021**	Q4 2020	% Change	Q1 2020
WA common shares outstanding, basic	**68,293**	58,220	17%	26,106
Dilutive effect of outstanding stock options	**224**	-	-	-
Dilutive effect of outstanding share awards	**59**	-	-	-
Dilutive effect of outstanding warrants	**12,001**	10,639	13%	-
Dilutive effect of convertible promissory note	**1,014**	-	-	-
WA common shares outstanding, diluted	**81,591**	68,859	18%	26,106

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 during the period.

March 2021 Financings

Prospectus Offering

On March 8, 2021, the Company completed a bought deal public offering for gross proceeds of $45.0 million. The offering was led by a syndicate of underwriters by way of a short-form prospectus, pursuant to which the Company issued 11,250,000 subscription receipts of Spartan at a price of $4.00 per subscription receipt (the "Prospectus Offering"). Net proceeds of the Prospectus Offering were $42.7 million after underwriting commissions and other expenses. The net proceeds of the Prospectus Offering were released from escrow on March 18, 2021 upon closing of the Inception Acquisition and the Non-Brokered Offering (as defined below). Each subscription receipt was automatically exchanged for one common share for no additional consideration.

Non-Brokered Offering

On March 18, 2021, the Company issued to certain institutional investors on a private placement basis: (i) an aggregate of 6,250,000 common shares at a price of $4.00 per share for aggregate gross proceeds of $25.0 million (the "Non-Brokered Private Placement"); and (ii) an aggregate of 10,976,626 flow-through common shares at a price of $4.92 per flow-through share for aggregate gross proceeds of approximately $54.0 million (the "Flow-Through Private Placement" and, together with the Non-Brokered Private Placement, the "Non-Brokered Offering"). Net proceeds of the Non-Brokered Offering were approximately $77.3 million after issue costs.

The implied premium on the flow-through shares was determined to be $10.1 million or $0.92 per flow-through share, relative to the subscription price of $4.00 per share under the concurrent Non-Brokered Private Placement. Pursuant to the provisions of the *Income Tax Act* (Canada), the Company shall incur eligible Canadian development expenses (the "Qualifying Expenditures") after the closing date and prior to December 31, 2021 in the aggregate amount of not less than the total gross proceeds raised from the Flow-Through Private Placement. As of March 31, 2021, the Company had not incurred Qualifying Expenditures, leaving $54.0 million of Qualifying Expenditures to be incurred in the balance of 2021. The deferred premium on flow-through shares of $10.1 million is recognized initially as a liability on the Consolidated Statement of Financial Position as at March 31, 2021 and will subsequently be drawn-down in proportion to the Qualifying Expenditures incurred and recognized in net income.

COMMITMENTS AND CONTINGENCIES

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

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Firm transportation	9,476	31,476	11,749	52,701
Qualifying Expenditures	54,005	-	-	54,005

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

In connection with the Flow-Through Private Placement completed on March 18, 2021, the Company is obligated to incur and renounce Qualifying Expenditures in the aggregate amount of $54.0 million, of which $6.5 million must be incurred prior to October 31, 2021, and the remaining $47.5 million must be incurred prior to December 31, 2021.

Litigation

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

RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

During the previous year ended December 31, 2020, Spartan had one wholly owned subsidiary, Winslow Resources Inc. Balances and transactions between Spartan and Winslow were eliminated on consolidation. Effective January 1, 2021, Spartan and Winslow were vertically amalgamated to form a single corporate entity under the name of "Spartan Delta Corp."

As at March 31, 2021, Spartan owns 100% of Inception GP, which was previously a wholly owned subsidiary of Inception. Inception GP continues to operate as a separate legal entity and is the general partner of three limited partnerships, to each of which it holds a 0.01% interest. Balances and transactions between Spartan and Inception GP have been eliminated on consolidation and are not material to the Company.

b) Related party transactions

During the three months ended March 31, 2021, the Company incurred approximately $1.0 million of legal fees to a law firm where the corporate secretary of the Company is a partner (2020 – $0.3 million). The fees are primarily transaction costs related to the Acquisitions and share issue costs incurred in respect of the equity financings completed during the first quarter of 2021. Approximately $0.9 million of legal fees are included in the balance of accounts payable and accrued liabilities as at March 31, 2021.

ARETI Energy S.A.

Upon closing of the Inception Acquisition, the number of common shares owned or controlled by ARETI represented approximately 20.8% of the total number of Spartan common shares issued and outstanding on a non-diluted basis. As part of the pre-acquisition agreement between Inception and Spartan, the Company entered into a nomination rights agreement providing ARETI with the right to nominate one or two directors to Spartan's board of directors, subject to acquiring and maintaining certain minimum shareholding requirements. Steve Lowden and Elliot Weissbluth were appointed to Spartan's board of directors concurrent with closing of the Inception Acquisition on March 18, 2021.

ARETI is the Noteholder of the convertible promissory note issued as part of the Inception Acquisition. The carrying amount of the Convertible Note is $25.7 million as at March 31, 2021.

SUBSEQUENT EVENT

On May 10, 2021, Spartan executed a definitive agreement with Canoe Point Energy Ltd. ("Canoe") pursuant to which the Company will acquire all of the issued and outstanding shares of Canoe (the "Canoe Shares"). Canoe is a private company holding 15,360 acres of undeveloped land in Spartan's Montney focus area of northwest Alberta. The total purchase price is approximately $1.49 million which will be satisfied through the issuance of 306,271 common shares of Spartan and the assumption of net debt estimated to be $0.06 million (the "Canoe Acquisition"). The Canoe Acquisition is expected to close on or about May 21, 2021, subject to certain regulatory and other approvals, including the approval of the TSXV and the satisfaction or waiver of customary closing conditions.

Certain officers and directors of Spartan, including Richard McHardy (Executive Chairman), Donald Archibald (Director), Reginald Greenslade (Director), Fotis Kalantzis (President and CEO), Thanos Natras (Vice President, Exploration) and Brendan Paton (Vice President, Engineering) are shareholders of Canoe. The insiders of Spartan have ownership and control over 48% of the Canoe Shares and all other parties to the Canoe Acquisition are arm's length to the Company. The Canoe Acquisition constitutes a "related party transaction" and will be recorded at the exchange amount.

Canoe was formed prior to the appointment of the new management team and new board of Spartan as part of the recapitalization transaction of December 19, 2019. As a result of Spartan's recent entry into the Montney, the decision was made to offer the Canoe assets to Spartan. The total purchase price of $1.49 million (inclusive of net debt) represents the cost of the investment in Canoe and the fair value is supported by an independent valuation of the Canoe lands. The Canoe Acquisition was approved by those directors of the Company who are independent with respect to the acquisition.

SUMMARY OF QUARTERLY INFORMATION

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

(CA$ thousands, except as noted)	**Q1 2021**	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	**62,356**	41,975	37,046	11,401	417	470	293	357
Net income (loss) and comprehensive income (loss)	**59,164**	12,358	(7,281)	47,406	(4,820)	(60)	(691)	(820)
$ per share, basic	**0.87**	0.21	(0.13)	1.29	(0.18)	(0.01)	(0.62)	(0.74)
$ per share, diluted	**0.73**	0.18	(0.13)	1.01	(0.18)	(0.01)	(0.62)	(0.74)
Funds from Operations (1)	**36,329**	18,239	15,774	1,088	(1,507)	(790)	(396)	(549)
Total cash capital expenditures (2)	**39,286**	14,346	1,178	109,969	376	29	1	1
Total assets	**679,613**	331,430	331,730	339,064	30,938	34,245	11,227	11,628
Working capital deficit (surplus)	**(75,846)**	21,208	19,577	2,170	(21,719)	(23,538)	(29)	(426)
Long-term liabilities	**194,379**	147,992	166,457	189,206	7,542	7,213	9,292	9,123
Shareholders' equity	**414,230**	137,540	124,413	130,995	20,818	25,640	1,190	1,853
Average daily production (BOE/d)	**31,914**	26,010	26,282	8,906	251	223	215	237
% Oil and NGLs	**28%**	31%	31%	30%	17%	20%	17%	16%
Average realized price ($ per BOE)	**24.12**	18.89	16.19	14.31	16.34	21.33	12.94	13.74
Operating Netback ($ per BOE) (1)	**14.28**	9.59	8.32	5.90	(4.33)	(7.95)	(8.80)	(7.40)

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

The Company appointed a new management team and new board of directors on December 19, 2019, as part of a recapitalization transaction which included a $25.0 million non-brokered private placement at a subscription price of $1.00 per share. In March 2020, COVID-19 was declared a pandemic and resulted in significant volatility and uncertainty of global financial markets. Global crude oil prices simultaneously dropped to a 20 year low due to the anticipated impact of the pandemic on global commerce and energy demand, as well as disagreements between major oil producing nations with respect to production quotas. The material decrease in forecast commodity prices resulted in an impairment loss of $3.0 million during the first quarter of 2020.

Spartan took advantage of its ability to access capital in a challenging business environment and in April 2020, the Company announced a $64.0 million private placement at a subscription price of $2.00 per share to fund its first transformational acquisition of assets in west central Alberta. The BXE Asset Acquisition was completed on June 1, 2020 for total consideration of $108.8 million and resulted in a $53.0 million gain on acquisition during the second quarter of 2020.

Commodity prices began to recover in the second half of 2020 from the historic lows observed in the first half of the year and subsequently exceeded pre-pandemic levels during the first quarter of 2021. The increase in Operating Netbacks reflects the decrease in per unit operating costs in conjunction with stronger realized prices, partly offset by higher royalties. The Company generated meaningful cost savings through optimization and strategic initiatives with industry partners and reduced its operating expenses each consecutive quarter following the recapitalization transaction. Per unit operating expenses averaged $22.57, $6.96, $6.10, and $5.68 per BOE during the first, second, third and fourth quarter of 2020, respectively. Spartan achieved a further 11% reduction in per unit operating expenses which averaged $5.06 per BOE during the three months ended March 31, 2021.

Volatility of forecast AECO gas prices had a significant impact on the fair value of derivative financial contracts. The Company's net income (loss) included an unrealized loss of $15.1 million on derivative financial instruments in the third quarter of 2020, partly offset by an unrealized gain of $9.8 million in the fourth quarter, followed by an unrealized loss of $1.7 million in the first quarter of 2021.

Spartan executed an 8 well drilling program during the fourth quarter of 2020 and first quarter of 2021 which significantly increased production in the Company's west central Alberta core area. The Company completed four acquisitions in the current quarter for total consideration of $151.2 million and established a new core development area in the Alberta Montney. Net income for the three months ended March 31, 2021, includes a gain of $35.1 million on the Inception Acquisition. Spartan also raised $124.0 million of gross proceeds through the March 2021 Financings, which included a $79.0 million non-brokered offering and a $45.0 million prospectus offering at $4.00 per common share.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2020 Financial Statements. Newly adopted accounting policies in the first quarter of 2021 have been described in note 3 of the Condensed Consolidated Interim Financial Statements as at and for the three months ended March 31, 2021 and 2020.

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

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. Except as discussed below, the significant judgments, estimates and assumptions made by management in the financial statements are consistent with those outlined in note 2 of the 2020 Financial Statements.

Asset Acquisitions

The application of the Company's accounting policy for business combinations requires management to make certain judgments in applying the optional concentration test under IFRS 3 Business Combinations, to determine whether the acquired assets meet the definition of a business combination or an asset acquisition. It was determined, through the application of the concentration test, that the January 2021 Acquisition constitutes an asset acquisition as opposed to a business combination. Where an acquisition involves a group of assets and liabilities, and does not constitute a business, the acquirer must identify and recognize the individual assets acquired and liabilities assumed. The cost of the transaction is allocated to the assets acquired and liabilities assumed based on their relative fair values at the date of purchase.

The impact of accounting for the January 2021 Acquisition as an asset acquisition as opposed to a business combination resulted in an unrecognized deferred tax asset of $41.8 million on initial recognition. In the absence of prescriptive guidance under IFRS, judgement was required to determine an appropriate accounting policy pursuant to which the unrecognized tax asset will be recognized in the future. Spartan's accounting policy is to recognize the previously unrecognized non-capital losses in proportion to the estimated amount of taxable income generated each period. For the three months ended March 31, 2021, Spartan recognized $6.2 million of the previously unrecognized deferred tax asset. The recovery more than offset deferred income tax expense for the quarter and increased net income by $6.2 million.

RISKS AND UNCERTAINTIES

The business of exploring for, developing and producing oil and natural gas reserves is inherently risky. The following information is a summary of certain risk factors relating to the Company and should be read in conjunction with the Company's most recent Annual Information Form dated March 31, 2021, which can be found at www.sedar.com. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this MD&A and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Market Risks

More than a year after being declared a global pandemic by the World Health Organization in March 2020, COVID-19 continues to impact global economic conditions. Global financial markets, and commodity prices in particular, have experienced significant volatility and uncertainty. Crude oil and natural gas prices have recovered from the historic lows observed in the first two quarters of 2020 and exceeded pre-pandemic levels during the first quarter of 2021. While the current outlook for commodity prices is relatively strong, long-term price support from future demand remains uncertain. The Company continues to respond to market fundamentals and is carefully monitoring emerging developments. Spartan is committed to maintaining its strong statement of financial position and financial liquidity, and is well positioned to withstand challenges and to take advantage of the opportunities presented by the current business environment.

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 which are unchanged from December 31, 2020.

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 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. Spartan has natural gas price risk management contracts in place to protect cash flows and project economics. During 2020 and into the first quarter of 2021, more than two-thirds of the Company's production was natural gas.

The following financial derivative contracts were outstanding as at March 31, 2021:

Contract Type	Remaining Term	Notional Volume (GJ/d)	Fixed Price (CA$/GJ)	Reference Price	Fair value Asset (Liability)
Natural gas fixed	Apr 1, 2021 to Oct 31, 2021	10,000	2.14	AECO 7A	(673)
Natural gas fixed	Apr 1, 2021 to Mar 31, 2022	35,000	2.25	AECO 7A	(4,203)
Net derivative instrument financial liability					**(4,876)**

The fair values of these contracts are highly sensitive to changes in the natural gas reference prices. Holding other assumptions constant, if the AECO 7A price increased (decreased) by $0.10 per gigajoule, the fair market value of the net derivative financial instrument liability would increase (decrease) by approximately $1.5 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 interest bearing cash deposits and bank debt which bears floating rates of interest. Under the Credit Facility, interest rates fluctuate based on the Canadian prime rate plus an applicable margin ranging from 2.0% to 5.5%, depending upon the Company's then current debt to cash flow ratio of between less than one times to greater than three times. The Company's cash is held on deposit in an interest-bearing account with a Canadian chartered bank. Holding all other assumptions constant, the impact of an increase (decrease) in the market rate of interest by 50 basis points would impact Spartan's financial results as follows:

- Based on average bank debt outstanding of $1.7 million during the first quarter of 2021, the annualized impact on interest expense would be nominal. Spartan had no bank debt outstanding as at March 31, 2021.
- As at March 31, 2021, Spartan had $109.6 million of cash on hand from net proceeds of equity financings which closed on March 18, 2021. The annualized impact on interest income would be approximately $0.5 million, based on cash deposits outstanding at the end of the quarter.

As at March 31, 2021, there are no interest rate risk management contracts outstanding.

Currency Risk

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are currently conducted in Canada and are denominated in Canadian dollars. Spartan is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The CA$/US$ exchange rate closed at 1.275 on March 31, 2021 (December 31, 2020 – 1.299) and averaged 1.266 CA$/US$ during the quarter compared to an average of 1.303 CA$/US$ during the fourth quarter of 2020. The Canadian dollar strengthened relative to the U.S. dollar during the first quarter. All else being equal, a weakening of the U.S. dollar has a negative impact on Canadian dollar equivalent commodity prices resulting in lower realized pricing for the Company. As at March 31, 2021, there were no foreign exchange risk management contracts outstanding.

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at March 31, 2021 include accounts payable, derivative financial instrument liabilities, bank debt and a convertible promissory note. In addition, the Company has financial commitments in respect of lease liabilities and expects to settle certain decommissioning obligations within the next twelve months.

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 first quarter of 2021, Spartan temporarily advanced $15.0 million on the Credit Facility to fund the cash purchase price for the Simonette Acquisition which was subsequently repaid in full with net proceeds of the equity financings. As at March 31, 2021, Spartan had $109.6 million of cash on hand and no bank debt outstanding on its $100.0 million Credit Facility.

The Company is early in its life cycle and its growth strategy is capital intensive. From time to time, Spartan's cash flow from operating activities may not be sufficient to fund its growth objectives. As such, Spartan will be dependent on obtaining regular financings in order to continue its exploration, development and acquisition plans. Although the Company has been successful in establishing the Credit Facility and accessing capital markets to date, including equity financings for gross proceeds of $64.0 million in May 2020 and $124.0 million in March 2021, there is no guarantee of obtaining future financing.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets include cash and cash equivalents, accounts receivable, and deposits. Cash and cash equivalents are held on deposit with a Canadian chartered bank. The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners. The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable, in general, are contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are typically 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 March 31, 2021 and expects the accounts to be collectible, except for approximately $0.6 million of accounts receivable which are provided for in the expected credit loss provision ($0.2 million at December 31, 2020). Included in the expected credit loss provision in the quarter ended March 31, 2021 is a provision of $0.3 million applied to certain accounts receivable balances acquired as part of the Inception Acquisition.

OTHER ABBREVIATIONS

A&D	Acquisitions and Dispositions
AECO-C	Alberta Energy Company “C” Meter Station of the NOVA Pipeline System, the Canadian benchmark price for natural gas
API	American Petroleum Institute gravity
bbl	barrel
bbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
CEWS	Canada Emergency Wage Subsidy
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
DCET	Capital expenditure incurred to drill, complete, equip and tie-in a well
G&A	general and administrative expenses
G&G	geological and geophysical expenses
GAAP	refers to Canadian Generally Accepted Accounting Principles, which incorporate International Financial Reporting Standards (“IFRS”) for public companies
GJ	gigajoule
LMR	Liability Management Rating of the Alberta Energy Regulator
mbbls	one thousand barrels
mBOE	one thousands barrels of oil equivalent
mcf	one thousand cubic feet
mcf/d	one thousand cubic feet per day
MMBtu	one million British thermal units
mmcf	one million cubic feet
mmcf/d	one million cubic feet per day
nm	“not meaningful”, generally with reference to a percentage change
NCL	non-capital losses
NGL	natural gas liquids
NYMEX	New York Mercantile Exchange
Q1 2021	First quarter of 2021
Q1 2020	First quarter of 2020
Q4 2020	Fourth quarter of 2020
SRP	Site Rehabilitation Program of the Alberta government
TSX	Toronto Stock Exchange
US$	United States dollar
WTI	West Texas Intermediate, price paid in US$ at Cushing, Oklahoma, for crude oil of standard grade

FORWARD-LOOKING STATEMENTS

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

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

- the intentions of management and the Company with respect to its growth strategy and business plan;
- Spartan's intention to maintain a flexible capital structure;
- Spartan's intentions to maintain a strong balance sheet to allow the Company to take advantage of opportunities;
- the estimated amount of net debt assumed on the Inception Acquisition;
- the estimated amount of closing adjustments to the purchase price for the Simonette Acquisition and the Willesden Green Acquisition;
- the estimated amount of liabilities assumed and included in the purchase price for the BXE Asset Acquisition;
- the estimated fair value of the assets and liabilities acquired through the Acquisitions, and the resulting gain on the Inception Acquisition;
- anticipated benefits of the Acquisitions, including but not limited to: estimates of current production and weighting of crude oil, NGLs and natural gas; future growth opportunities; the expectation that the Acquisitions will provide multiple years of development drilling inventory; and estimated tax pools associated with the Acquisitions;
- anticipated operational results for 2021 including, but not limited to, estimated or anticipated production levels, Operating Netbacks, Adjusted Funds Flow, capital expenditures, Free Funds Flow, Net Debt (Surplus), future common shares outstanding and other information discussed under "Outlook and Guidance" in this MD&A;
- the anticipated closing and other assumptions regarding the Canoe Acquisition (see “Subsequent Events”);
- Spartan’s objective to maintain an industry leading Liability Management Rating;
- estimated future development capital expenditures required to develop total proved plus probable reserves;
- capital resources and liquidity, including Spartan’s expectations regarding sources of funding for future development capital expenditures and acquisitions;
- estimates used to calculate the lease liabilities, decommissioning obligations, depletion and impairment of PP&E, and deferred income tax assets and liabilities;
- expectations of challenging long-term market conditions and Spartan's position to withstand future commodity price volatility;
- the estimated amount of decommissioning costs expected to be recovered through funding under the Alberta government’s Site Rehabilitation Program;
- commitments and contingencies; and
- expectations for forecast commodity prices in 2021 and beyond.

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

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

- the ability of the Company to secure adequate product transportation; and
- the continuation of the current tax, royalty and regulatory regime.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:

- failure to realize the anticipated benefits of the Acquisitions;
- synergies of the Acquisitions may be delayed or realized in a lesser amount than initially expected;
- unforeseen difficulties integrating the assets to be acquired pursuant to Acquisitions into Spartan's operations;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the material uncertainties and risks described under the heading "Risks and Uncertainties" in this MD&A and in the Company's most recent Annual Information Form dated March 31, 2021;
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating oil and natural gas reserves and the ability of the Company to realize value from its properties;
- geological, technical, drilling and processing problems;
- facility and pipeline capacity constraints and access to processing facilities and to markets for production;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- marketing and transportation;
- prevailing weather and break-up conditions;
- environmental risks;
- competition for, among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel;
- net production and transportation costs and future development costs;
- the ability to access sufficient capital from internal and external sources;
- changes in tax, royalty and environmental legislation; and
- litigation or regulatory proceedings that may be brought against the Company.

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

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI"), including about Spartan's guidance with respect to budgeted capital expenditures and prospective results of operations for 2021, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and outlined under the headings "Outlook and Guidance" and "Non-GAAP Measures".

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