



SPARTAN
DELTA CORP.

**SPARTAN DELTA CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2023 AND 2022**

FINANCIAL AND OPERATING HIGHLIGHTS

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
FINANCIAL HIGHLIGHTS			
Oil and gas sales	316,212	322,424	(2)
Net income and comprehensive income	86,449	61,177	41
\$ per share, basic ⁽³⁾	0.50	0.40	25
\$ per share, diluted ⁽³⁾	0.49	0.36	36
Cash provided by operating activities	214,718	137,840	56
Adjusted Funds Flow ⁽²⁾	182,276	159,721	14
\$ per share, basic ⁽²⁾⁽³⁾	1.06	1.04	2
\$ per share, diluted ⁽²⁾⁽³⁾	1.03	0.92	12
Free Funds Flow ⁽²⁾	42,443	51,737	(18)
Cash used in investing activities	127,352	104,362	22
Capital Expenditures before A&D ⁽²⁾	139,833	107,984	29
Adjusted Net Capital A&D ⁽²⁾	769	(567)	(236)
Total assets	2,155,052	1,811,765	19
Debt	145,752	356,570	(59)
Net Debt ⁽²⁾	138,706	405,691	(66)
Net Debt to Annualized AFF Ratio ⁽²⁾	0.2 x	0.6 x	(67)
Shareholders' equity	1,582,999	950,734	67
Common shares outstanding, end of period (000s) ⁽³⁾	171,426	153,469	12
OPERATING HIGHLIGHTS			
Average daily production			
Crude oil (bbls/d)	15,034	11,270	33
Condensate (bbls/d) ⁽¹⁾	2,994	2,414	24
NGLs (bbls/d) ⁽¹⁾	13,202	12,971	2
Natural gas (mcf/d)	293,822	275,596	7
BOE/d	80,200	72,588	10
Average realized prices, before financial instruments			
Crude oil (\$/bbl)	99.94	116.35	(14)
Condensate (\$/bbl) ⁽¹⁾	104.65	120.17	(13)
NGLs (\$/bbl) ⁽¹⁾	41.91	49.59	(15)
Natural gas (\$/mcf)	3.89	4.85	(20)
Combined average (\$/BOE)	43.81	49.35	(11)
Operating Netbacks (\$/BOE) ⁽²⁾			
Oil and gas sales	43.81	49.35	(11)
Processing and other revenue	0.46	0.36	28
Royalties	(4.65)	(4.86)	(4)
Operating expenses	(8.26)	(8.36)	(1)
Transportation expenses	(2.83)	(2.76)	3
Operating Netback, before hedging (\$/BOE) ⁽²⁾	28.53	33.73	(15)
Operating Netback, after hedging (\$/BOE) ⁽²⁾	27.17	26.94	1
Adjusted Funds Flow Netback (\$/BOE) ⁽²⁾	25.25	24.45	3

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

(2) "Adjusted Funds Flow", "Free Funds Flow", "Capital Expenditures before A&D", "Adjusted Net Capital A&D", "Net Debt", "Net Debt to Annualized AFF Ratio" and "Operating Netbacks" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures and Ratios" section of this MD&A.

(3) Refer to "Share Capital" section of this MD&A.

INTRODUCTION

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

The following Management’s Discussion and Analysis (“MD&A”) has been prepared by management as of May 12, 2023, in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Requirements* (“NI 51-102”). This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements as at March 31, 2023 (the “**Interim Financial Statements**”) and the audited consolidated annual financial statements and related notes for the years ended December 31, 2022 and 2021 (the “**2022 Annual Financial Statements**”). The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company and is not a substitute for detailed investigation or analysis on any particular issue. Additional information relevant to the Company’s activities, including Spartan’s Annual Information Form for the year ended December 31, 2022 (the “AIF”), can be found on SEDAR at www.sedar.com and the Company’s website at www.spartandeltacorp.com.

Background on Current Corporate Transactions

On November 30, 2022, Spartan announced a formal process to evaluate strategic repositioning alternatives to enhance shareholder value (the “**Repositioning Process**”). The scope of the Repositioning Process was extensive, including the evaluation of a broad range of alternatives including but not limited to, a corporate sale, merger, corporate restructuring, sale of select assets, sale of a royalty, purchase of assets, the spin-out of select assets into a newly formed company whose securities would be distributed to Spartan shareholders or any combination of these potential alternatives in conjunction with a return of capital strategy.

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

Concurrent with the Asset Sale, Spartan also announced a spin-out transaction (the “**Spin-Out**”) of certain assets and associated liabilities (the “**Logan Assets**”) predominantly in the Pouce Coupe, Simonette and Flatrock areas, as well as legacy production in the Noel area to a wholly owned subsidiary, Logan Energy Corp. (“**Logan**”). The Logan Assets will be transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan (each, a “**Logan Share**”) per common share of Spartan (“**Spartan Share**”) and one (1) purchase warrant, and subsequently distributed to eligible Spartan shareholders. The purchase warrants to be distributed to Spartan shareholders entitle the holder to purchase one (1) Logan Share at an exercise price of \$0.35 at any time on or before the close of business on July 31, 2023 (the “**Transaction Warrants**”).

In connection with the Asset Sale and the Spin-Out, the Company is expected to distribute \$9.50 per Spartan Share, one Logan Share per Spartan Share, and one Transaction Warrant per Spartan Share (the “**Distribution**”) to eligible Spartan shareholders.

Additionally, in connection with the closing of the Asset Sale, the Company amended its Credit Facility (defined herein) pursuant to which the authorized borrowing amount was reduced to \$250.0 million, comprised of a \$50.0 million operating facility and a \$200.0 million syndicated facility. The Company also amended its Term Facility (defined herein) and agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility.

As a result of the Asset Sale and Spin-Out, Spartan announced that the Board approved the accelerated vesting of all outstanding Restricted Share Awards (“RSAs”) and outstanding options, conditional upon the closing of the Asset Sale. The Board also announced its intention to cash settle all RSAs currently granted under the plan.

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

NON-GAAP MEASURES AND RATIOS

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

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

Operating Income and Operating Netback

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

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

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Oil and gas sales	316,212	322,424	(2)
Processing and other revenue	3,341	2,378	40
Royalties	(33,584)	(31,780)	6
Operating expenses	(59,616)	(54,659)	9
Transportation expenses	(20,423)	(18,010)	13
Operating Income, before hedging	205,930	220,353	(7)
Settlements on Commodity Derivative Contracts	(9,830)	(44,026)	(78)
Net Pipeline Transportation Margin	-	(354)	(100)
Operating Income, after hedging	196,100	175,973	11
Production (BOE)	7,218,011	6,532,869	10
Operating Netback, before hedging (\$/BOE)	28.53	33.73	(15)
Operating Netback, after hedging (\$/BOE)	27.17	26.94	1

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

Funds from Operations, Adjusted Funds Flow and Free Funds Flow

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

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

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

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

<i>(CA\$ thousands)</i>	Three months ended March 31		
	2023	2022	%
Cash provided by operating activities	214,718	137,840	56
Change in non-cash operating working capital	(32,263)	24,202	(233)
Funds from Operations	182,455	162,042	13
Add back: transaction costs	2,250	24	nm
Deduct: lease payments	(2,429)	(2,345)	4
Adjusted Funds Flow	182,276	159,721	14
Deduct: Capital Expenditures before A&D ⁽¹⁾	(139,833)	(107,984)	29
Free Funds Flow	42,443	51,737	(18)

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

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

AFF per share is a non-GAAP financial ratio used by Spartan as a key performance indicator. AFF per share is calculated using the same methodology as net income per share (“EPS”), however the diluted weighted average common shares (“WA Shares”) outstanding for AFF may differ from the diluted weighted average determined in accordance with IFRS for purposes of calculating EPS, due to non-cash items that impact net income only. The dilutive impact of stock options and share awards is more dilutive to AFF than EPS because the number of shares deemed to be repurchased under the treasury stock method is not adjusted for unrecognized share-based compensation expense as it is non-cash (see also, “Share Capital”).

The table below outlines the calculation of AFF per share:

<i>(CA\$ thousands, except for share amounts)</i>	Three months ended March 31		
	2023	2022	%
Adjusted Funds Flow	182,276	159,721	14
WA Shares outstanding (000s) – basic	171,422	153,292	12
WA Shares outstanding (000s) – diluted AFF	177,288	172,745	3
AFF per share			
Basic (\$ per common share)	1.06	1.04	2
Diluted (\$ per common share)	1.03	0.92	12

Net Debt (Surplus) and Adjusted Working Capital

Throughout this MD&A, references to “Net Debt” or “Net Surplus” includes current and long-term debt, net of Adjusted Working Capital. Net Debt (Surplus) and Adjusted Working Capital are both non-GAAP financial measures. “Adjusted Working Capital” is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities, lease liabilities, current debt and assets/liabilities held for sale or distribution (if applicable). As at March 31, 2023 and December 31, 2022, the Adjusted Working Capital (surplus) deficit includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities, dividends payable, share-based compensation liability, and the current portion of decommissioning obligations (see also, “Capital Resources and Liquidity”).

The Company believes its presentation of Adjusted Working Capital and Net Debt are useful as supplemental measures because lease liabilities and derivative financial instrument assets and liabilities relate to contractual obligations for

future production periods. Lease payments and cash receipts or settlements on derivative financial instruments are included in Spartan's reported Adjusted Funds Flow in the production month to which the obligation relates.

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

<i>(CA\$ thousands)</i>	March 31, 2023	December 31, 2022
Current assets	(1,563,227)	(309,008)
Current liabilities	480,992	278,627
Working capital surplus	(1,082,235)	(30,381)
Adjusted for current portion of:		
Derivative financial instrument assets	80,532	33,845
Derivative financial instrument liabilities	(9,822)	(818)
Lease liabilities	(9,630)	(9,450)
Assets held for sale or distribution	1,232,679	-
Liabilities related to assets held for sale or distribution	(72,818)	-
Current debt	(145,752)	-
Adjusted Working Capital surplus	(7,046)	(6,804)
Current debt	145,752	-
Long-term debt	-	145,180
Net Debt	138,706	138,376

In addition, Spartan has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. The Company's total lease liability is \$43.3 million as at March 31, 2023 (December 31, 2022 – \$45.5 million), of which \$9.6 million of the principal amount is expected to be settled within the next twelve months.

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

Net Debt to Annualized AFF Ratio

The Company monitors its capital structure and short-term financing requirements using a "**Net Debt to Annualized AFF Ratio**", which is a non-GAAP financial ratio calculated as the Company's Net Debt relative to its Annualized Adjusted Funds Flow. "**Annualized Adjusted Funds Flow**" is calculated by multiplying Adjusted Funds Flow for the most recently completed quarter, normalized for significant non-recurring items, by a factor of 4. The Company's definition of Adjusted Funds Flow is reported net of cash lease payments in the period, therefore, Spartan believes Adjusted Funds Flow is an appropriate comparative metric to Net Debt which does not include lease liabilities.

Management believes that this ratio provides investors with information to understand the Company's liquidity risk and its ability to repay long-term debt and fund future capital expenditures (see also, "Capital Resources and Liquidity").

<i>(CA\$ thousands, unless otherwise indicated)</i>	March 31, 2023	December 31, 2022
Adjusted Funds Flow for the quarter	182,276	232,839
Less: Other income – gain on construction project ⁽¹⁾	-	(14,315)
Adjusted Funds Flow for the quarter, normalized	182,276	218,524
Factor to Annualize	4	4
Annualized Adjusted Funds Flow ⁽²⁾	729,104	874,096
Net Debt	138,706	138,376
Annualized Adjusted Funds Flow ⁽²⁾	729,104	874,096
Net Debt to Annualized AFF Ratio	0.2x	0.2x

(1) The calculation of Annualized Adjusted Funds Flow has been normalized for the gain of \$14.3 million recognized on completion of an infrastructure construction project during the fourth quarter of 2022.

(2) The Annualized Adjusted Funds Flow reflects operations as at March 31, 2023; the Annualized Adjusted Funds Flow will change after the Asset Sale and Spin-Out transactions are completed.

Capital Expenditures

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

<i>(CA\$ thousands)</i>	Three months ended March 31	
	2023	2022
Exploration and evaluation assets	7,839	1,884
Property, plant and equipment	131,994	106,100
Capital Expenditures before A&D	139,833	107,984
Acquisitions	925	(102)
Dispositions	(156)	(465)
Capital Expenditures	140,602	107,417
Change in non-cash investing working capital	(13,250)	(3,055)
Cash used in investing activities	127,352	104,362

Adjusted Net Capital A&D

“**Adjusted Net Capital A&D**” is useful as it provides a measure of cash, debt and share consideration used to acquire crude oil and natural gas assets during the period, net of cash proceeds received on dispositions.

The most directly comparable GAAP measures are acquisition costs and disposition proceeds included as components of cash used in investing activities, as outlined above. The following table details the calculations of “Adjusted Net Capital Acquisitions (Dispositions)”, using acquisition costs as the starting point:

<i>(CA\$ thousands)</i>	Three months ended March 31	
	2023	2022
Acquisitions ⁽¹⁾	925	(102)
Less: Dispositions	(156)	(465)
Adjusted Net Capital A&D	769	(567)

1) The three months ended March 31, 2022 includes \$0.1 million of proceeds from favourable closing adjustments on property acquisitions completed in the previous year.

OTHER MEASUREMENTS

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

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

REPOSITIONING PROCESS

On March 28, 2023, Spartan announced the conclusion to its Repositioning Process. This process resulted in two transactions which together divests the Company’s Montney oil assets. These two transactions include the:

- **Asset Sale:** a definitive purchase and sale agreement with Crescent Point which provides for the sale of the Company’s Gold Creek and Karr Montney properties for cash consideration of \$1.7 billion, before customary closing adjustments. Following the closing of the Asset Sale, the Company intends to pay a \$9.50 cash distribution per common share of Spartan from the cash proceeds of the Asset Sale.
- **Spin-Out:** concurrent with the Asset Sale, Spartan also announced a spin-out transaction of the Logan Assets predominantly in the Pouce Coupe, Simonette and Flatrock areas to a wholly owned subsidiary, Logan. The Logan Assets will be transferred and conveyed to Logan from Spartan in consideration for one (1) Logan Share per Spartan Share and one (1) Transaction Warrant.

In connection with the closing of the Asset Sale, the Company amended its Credit Facility (defined herein) pursuant to which the authorized borrowing amount was reduced to \$250.0 million. The Company also amended its Term Facility (defined herein) and agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility. As a result of the Asset Sale and Spin-Out, the Spartan Board approved the accelerated vesting of all outstanding RSAs and outstanding options, conditional upon the closing of the Asset Sale. The Board also announced its intention to cash settle all RSAs currently granted under the plan.

Q1 2023 HIGHLIGHTS

Spartan is pleased to report its financial and operating results for the first quarter of 2023 which highlight a continuation of strong operational performance and organic growth.

- The Company achieved 10% growth in production from an average of 72,588 BOE/d in the first quarter of 2022 to 80,200 BOE/d in the first quarter of 2023. Despite facing third party outages in Q1 2023, which curtailed production by approximately 1,000 BOE/d, production was on target with 2023 guidance of 80,000 to 82,000 BOE/d.
- Spartan successfully executed a \$139.8 million capital program in the first quarter of 2023, with specific focus placed on the development of its Gold Creek and Karr assets located in the Montney oil window as well as continued development across multiple horizons in the Deep Basin.
 - In the Deep Basin, Spartan drilled 6.0 net wells, completed 9.5 net wells and brought 9.5 net wells on production.
 - In the Montney, Spartan drilled 11.0 net wells, completed 3.0 net wells, and brought 3.3 net wells on production.

- The Company's production growth partly mitigated the impact of reduced oil and gas prices which drove the 2% decrease in oil and gas sales revenue to \$316.2 million in the first quarter of 2023 compared to \$322.4 million in the first quarter of 2022.
- Spartan reported net income of \$86.4 million (\$0.49 per share, diluted) in the first quarter of 2023, up 41% from \$61.2 million (\$0.36 per share, diluted) in the first quarter of 2022. Unrealized gains on commodity derivatives primarily drove the increase in net income.
- The Company's operations generated Adjusted Funds Flow of \$182.3 million (\$1.03 per share, diluted) in the first quarter of 2023, up 14% from \$159.7 million (\$0.92 per share, diluted) in the first quarter of 2022. Cash provided by operating activities increased to \$214.7 million in the first quarter of 2023 from \$137.8 million in the first quarter of 2022 due to the impact of changes in non-cash working capital.
- Spartan used existing cash on hand to fund \$76.6 million of an eligible dividend paid to shareholders in the first quarter of 2023, relating to the special dividend of \$0.50 per share declared in the fourth quarter of 2022.
- Spartan generated Free Funds Flow of \$42.4 million in the first quarter of 2023, down 18% from \$51.7 million in the first quarter of 2022.

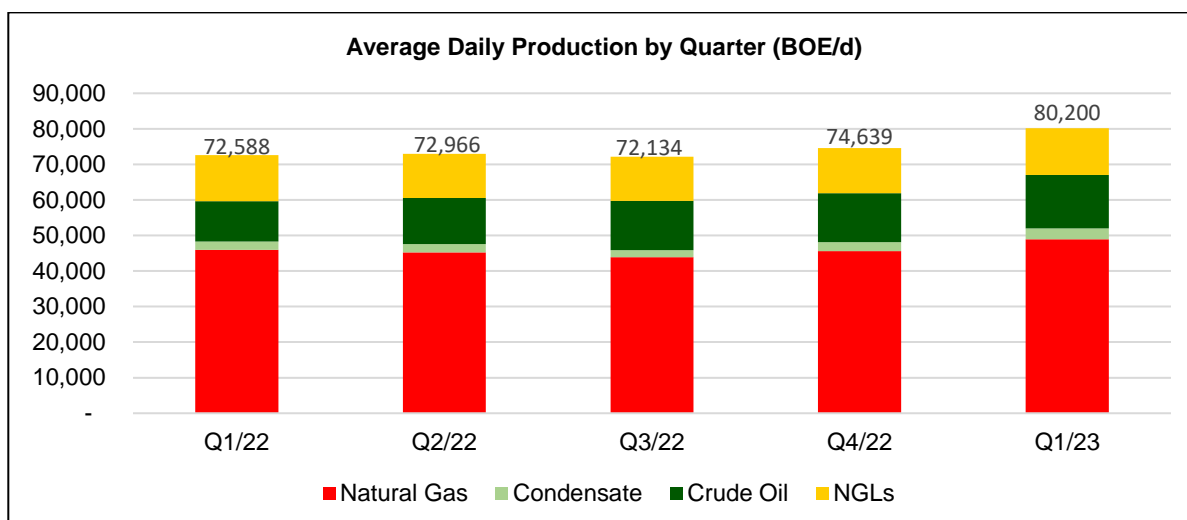
RESULTS OF OPERATIONS

PRODUCTION

Average daily production	Three months ended March 31		
	2023	2022	%
Crude oil (bbls/d)	15,034	11,270	33
Condensate (bbls/d)	2,994	2,414	24
NGLs (bbls/d)	13,202	12,971	2
Natural gas (mcf/d)	293,822	275,596	7
Combined average (BOE/d)	80,200	72,588	10
% Liquids	39%	37%	5

Production averaged 80,200 BOE per day during the first quarter of 2023, up 10% from the average production of 72,588 BOE per day in the first quarter of 2022. Organic growth through the Company's Deep Basin and Montney drilling programs more than offset production downtime of approximately 1,000 BOE per day due to third party outages and natural well declines quarter over quarter, with the Montney drilling program driving the 33% increase in crude oil production and the 5% increase in liquids.

Spartan brought 12.8 net wells on production during the first quarter of 2023, including 4 (3.3 net) wells over two pads in West Gold Creek. In the Deep Basin, Spartan brought an additional 10 (9.5 net) wells on production.

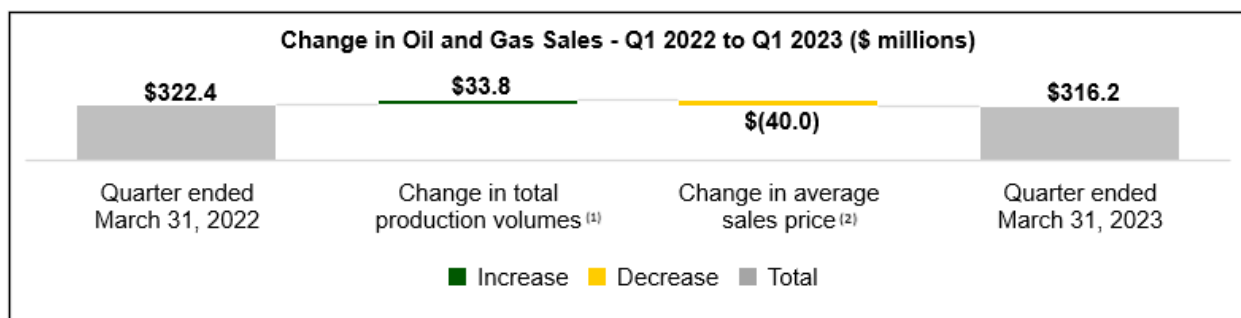


OIL AND GAS SALES

	Three months ended March 31		
	2023	2022	%
<i>(CA\$ thousands, unless otherwise indicated)</i>			
Oil and gas sales, before royalties			
Crude oil	135,229	118,017	15
Condensate	28,198	26,109	8
NGLs	49,792	57,886	(14)
Natural gas	102,993	120,412	(14)
Oil and gas sales, before royalties	316,212	322,424	(2)
Average realized prices, before financial instruments			
Crude oil (\$/bbl)	99.94	116.35	(14)
Condensate (\$/bbl)	104.65	120.17	(13)
NGLs (\$/bbl)	41.91	49.59	(15)
Natural gas (\$/mcf)	3.89	4.85	(20)
Combined average (\$/BOE)	43.81	49.35	(11)
Average realized prices, after financial instruments ⁽¹⁾			
Crude oil (\$/bbl)	99.94	92.21	8
Condensate (\$/bbl)	104.65	120.17	(13)
NGLs (\$/bbl)	41.91	49.59	(15)
Natural gas (\$/mcf)	3.52	4.06	(13)
Combined average (\$/BOE)	42.45	42.61	-

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

Oil and gas sales were \$316.2 million in the first quarter of 2023, a decrease of \$6.2 million from \$322.4 million in the first quarter of 2022. The decrease in oil and gas sales was driven by lower commodity prices, partially offset by an increase in production. Spartan's combined average realized price of \$43.81 per BOE (\$42.45 per BOE after financial instruments) for the three months ended March 31, 2023 is 11% lower than the average price of \$49.35 per BOE (\$42.61 per BOE after financial instruments) in 2022.



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

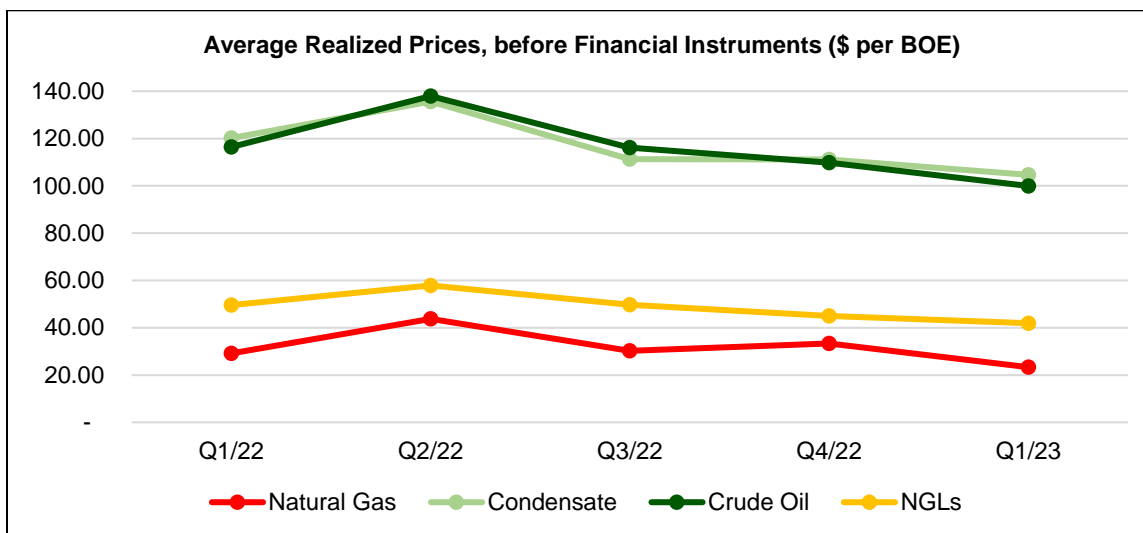
Additionally, cash settlements on commodity derivative contracts decreased from \$44.0 million (\$6.74 per BOE) in the first quarter of 2022 to \$9.8 million (\$1.36 per BOE) in the first quarter of 2023, partly driven by maturity of the Company's oil hedges as of June 30, 2022 (see also, "Commodity Price Risk Management").

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

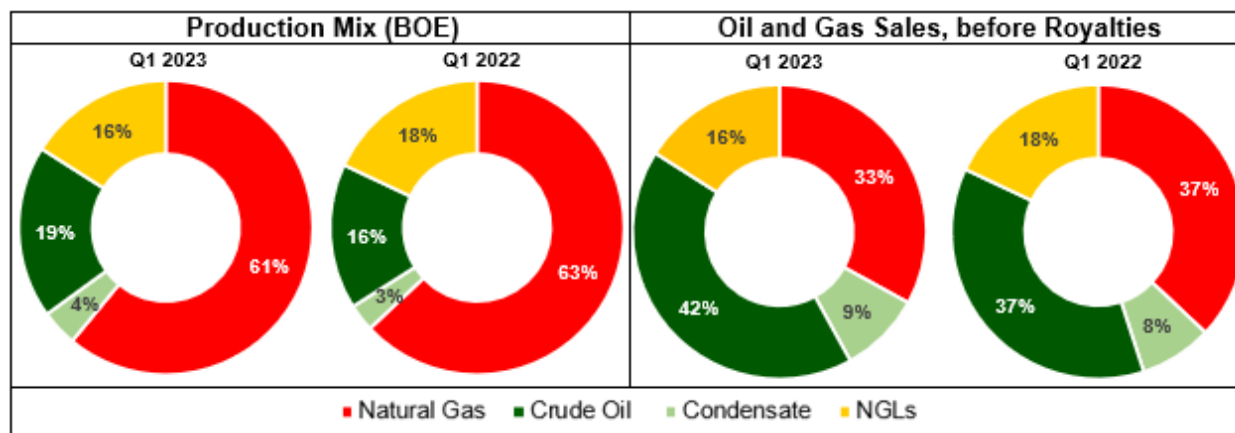
Benchmark commodity prices	Three months ended March 31		
	2023	2022	%
WTI Cushing Oklahoma (US\$/bbl) ⁽¹⁾	76.13	94.29	(19)
WTI Cushing Oklahoma (CA\$/bbl) ⁽²⁾	102.89	119.48	(14)
Mixed Sweet Blend ("MSW") (CA\$/bbl) ⁽³⁾	99.03	115.74	(14)
Conway propane (US\$/gallon) ⁽⁴⁾	0.80	1.28	(38)
NYMEX Henry Hub (US\$/mmbtu) ⁽⁵⁾	3.42	4.95	(31)
NYMEX - AECO 7A Basis (US\$/mmbtu)	(0.22)	(1.34)	(84)
AECO 7A (CA\$/GJ) ⁽⁶⁾	4.12	4.35	(5)
AECO 5A (CA\$/GJ) ⁽⁷⁾	3.05	4.49	(32)
Exchange rate (US\$/CA\$) ⁽¹⁾	1.35	1.27	6

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

The table below summarizes Spartan's average realized prices before financial instruments, by commodity type over the past five quarters:



The charts below highlight Spartan's production mix and the relative contribution to total oil and gas sales revenue in the first quarter of 2023 relative to the first quarter of 2022.



For the first quarter of 2023, natural gas represented 61% of total production volumes and contributed to \$103.0 million (33%) of total sales revenue. Spartan's realized natural gas price for the first quarter of 2023 of \$3.52/mcf decreased by 13% from \$4.06/mcf in the first quarter of 2022. The decrease in the Company's realized natural gas price over the same quarter of 2022 is in line with the weighted average change in AECO 5A and 7A reference prices (sales were approximately 45/55 weighted to AECO 5A/7A pricing in the first quarter of 2023 and approximately 60/40 weighted to 5A/7A pricing in the first quarter of 2022).

Together, crude oil and condensate represented 23% of production and contributed to \$163.4 million (51%) of Spartan's total sales revenue during the first quarter of 2023. Spartan realized an average price for its crude oil and condensate sales of \$100.72 per barrel during the first quarter of 2023, down 14% compared to the average price of \$117.03 per barrel in the first quarter of 2022, in-line with the 14% decrease in MSW benchmark pricing over the corresponding quarters.

NGLs (excluding condensate) were 16% of Spartan's total production volumes in the first quarter of 2023 and contributed \$49.8 million (16%) of Spartan's total sales revenue. The Company reported an average NGL sales price of \$41.91 per barrel in the first quarter of 2023, down 15% from \$49.59 per barrel in the first quarter of 2022. The Conway propane benchmark price decreased by 38% from US\$1.28/gallon in the first quarter of 2022 to US\$0.80/gallon

in the first quarter of 2023, in addition to the 14% decrease in CDN\$ WTI benchmark pricing over the same period. Actual NGL prices declined at a lower rate than benchmark prices due to an increase in butane prices over the comparative period.

COMMODITY PRICE RISK MANAGEMENT

The Company has various commodity price risk management contracts in place to reduce volatility of cash flows in order to fund capital expenditures and protect project economics. The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as at March 31, 2023:

Period	Natural Gas ⁽¹⁾					
	NYMEX Henry Hub Swaps ⁽²⁾		NYMEX – AECO 7A Basis Swaps – Short ⁽²⁾		AECO 7A Swaps ⁽³⁾	
	Volume mmbtu/d	US\$/mmbtu	Volume mmbtu/d	US\$/mmbtu	Volume GJ/d	CA\$/GJ
Q2 2023	85,000	\$4.74	85,000	(\$1.09)	55,000	\$4.00
Q3 2023	85,000	\$4.74	85,000	(\$1.08)	55,000	\$4.00
Q4 2023	85,000	\$4.74	85,000	(\$1.08)	18,533	\$4.00

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

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

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

The fair value of outstanding risk management contracts resulted in a net derivative financial instrument asset of \$70.7 million at March 31, 2023, compared to a net asset of \$33.0 million at December 31, 2022. The fair values and gains or losses by contract type are summarized below for the three months ended March 31, 2023:

Derivative Financial Instruments ⁽¹⁾

<i>(CA\$ thousands)</i>	AECO 7A	NYMEX Henry Hub	AECO Basis	Foreign exchange	Total
Fair value asset (liability) at March 31, 2023	19,652	60,880	(9,103)	(719)	70,710
Fair value asset (liability) at December 31, 2022	10,659	11,473	11,713	(818)	33,027
Net change	8,993	49,407	(20,816)	99	37,683
Settlements of acquired derivative liabilities	-	(2,396)	(2,779)	-	(5,175)
Unrealized gain (loss)	8,993	47,011	(23,595)	99	32,508
Realized gain (loss)	-	1,898	(6,553)	-	(4,655)
Gain (loss) on derivative financial instruments	8,993	48,909	(30,148)	99	27,853

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

Spartan recognized a total gain on derivative financial instruments of \$27.9 million during the three months ended March 31, 2023, comprised of \$4.7 million of realized losses offset by an unrealized gain of \$32.5 million on the change in fair value of outstanding contracts during the period. The forward price curves for 2023 for both AECO 7A and NYMEX Henry Hub softened as at March 31, 2023, contributing to the unrealized gain during the first quarter of 2023 and the resulting derivative financial instrument asset at period-end.

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

<i>(CA\$ thousands)</i>	Three months ended March 31		
	2023	2022	%
Realized loss	(4,655)	(22,426)	(79)
Unrealized gain (loss)	32,508	(48,283)	(167)
Gain (loss) on derivative financial instruments	27,853	(70,709)	(139)

The realized loss on derivative financial instruments presented in accordance with IFRS excludes the portion of settlements related to derivative contracts acquired through the August 31, 2021 acquisition of Velvet Energy Ltd. (the “**Velvet Acquisition**”) based on the acquisition date fair value of the contracts.

The following table reconciles total cash Settlements on Commodity Derivative Contracts, which is a non-GAAP financial measure, to the realized loss reported:

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Crude oil	-	(24,483)	(100)
Natural gas	(9,830)	(19,543)	(50)
Settlements on Commodity Derivative Contracts	(9,830)	(44,026)	(78)
Less: Settlements of acquired liabilities	5,175	21,600	(76)
Realized Loss	(4,655)	(22,426)	(79)
Settlements on Commodity Derivative Contracts (\$ per BOE)	(1.36)	(6.74)	(80)
Realized loss (\$ per BOE)	(0.64)	(3.43)	(81)

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

ROYALTIES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Gross royalties, before GCA	39,847	38,725	3
Gas cost allowance	(6,263)	(6,945)	(10)
Royalties	33,584	31,780	6
\$ per BOE	4.65	4.86	(4)
Average royalty rate (% of sales)	10.6%	9.9%	7

Total royalties of \$33.6 million for the three months ended March 31, 2023 have increased relative to the same period in 2022 primarily as a result of wells coming off of incentive rates for new wells under the Alberta Modern Royalty Framework (“AMRF”), an increase in sales volumes, and a decrease in Gas Cost Allowance (“GCA”), partially offset by the impact of decreasing commodity prices. Spartan’s GCA decreased from the prior period due to lower gas prices and due to an application to extend the useful life of one of its gas processing facilities which reduced the GCA to be received annually, but increased the years to which GCA could be received on that facility. Incentive rates for new wells under the AMRF are a reduced flat rate of 5% applicable to new wells which is in effect for a finite period after a well comes on production.

Spartan's average royalty rate of 10.6% for the three months ended March 31, 2023 has increased from the average royalty rate of 9.9% in the comparative quarter primarily as a result of new wells coming off of C* royalty rates and a decrease in gas cost allowance as a percentage of sales, partially offset by the impact of decreasing commodity prices.

PROCESSING AND OTHER REVENUE

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Processing and other	3,341	2,378	40
\$ per BOE	0.46	0.36	28

Processing and other revenue primarily relates to gas processing and other fees earned on third party volumes processed through the Company's facilities. Processing and other revenue per BOE increased relative to the three months ended March 31, 2022 primarily due to higher processed volumes and an equalization payment of \$0.4 million received in the first quarter of 2023.

OPERATING EXPENSES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended 31		
	2023	2022	%
Operating expenses	59,616	54,659	9
\$ per BOE	8.26	8.36	(1)

Operating expenses were \$59.6 million (\$8.26 per BOE) for the three months ended March 31, 2023, up from \$54.7 million (\$8.36 per BOE) in the comparative quarter ended March 31, 2022 due to the 10% increase in production levels, while the operating expenses per BOE remained relatively consistent with the comparative quarter.

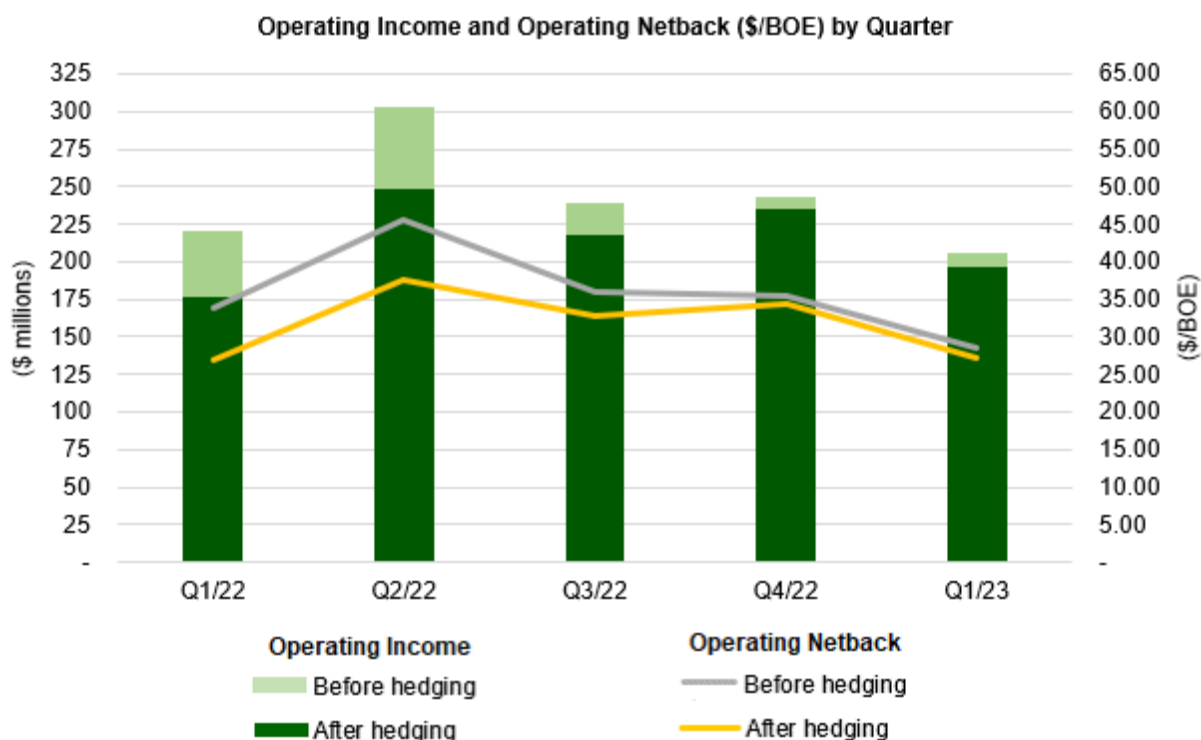
TRANSPORTATION EXPENSES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Transportation expenses	20,423	18,010	13
\$ per BOE	2.83	2.76	3

Transportation expenses of \$20.4 million (\$2.83 per BOE) for the three months ended March 31, 2023 have increased from \$18.0 million (\$2.76 per BOE) over the prior quarter ended March 31, 2022, reflecting the 33% increase in crude oil production which carries a higher transportation cost and accounted for 49% of the increase in production over the comparative period. Transportation expense per BOE remained relatively consistent with the comparative quarter.

OPERATING INCOME AND OPERATING NETBACKS

The Company's field operations generated \$205.9 million of Operating Income before hedging during the three months ended March 31, 2023, down 7% from \$220.4 million in the first quarter of 2022. Softening commodity prices more than offset increased production over the comparative quarter, leading to the reduction in Operating Income. Reduced commodity prices had an inverse impact on operating income after hedging with a significant decrease in hedging losses over the comparative periods. The chart below highlights the changes in Spartan's quarterly Operating Income and Operating Netbacks, before and after hedging, during 2022 and 2023:



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

(\$ per BOE)	Three months ended March 31		
	2023	2022	%
Oil and gas sales	43.81	49.35	(11)
Processing and other revenue	0.46	0.36	28
Royalties	(4.65)	(4.86)	(4)
Operating expenses	(8.26)	(8.36)	(1)
Transportation expenses	(2.83)	(2.76)	3
Operating Netback, before hedging	28.53	33.73	(15)
Settlements on Commodity Derivative Contracts	(1.36)	(6.74)	(80)
Net Pipeline Transportation Margin	-	(0.05)	(100)
Operating Netback, after hedging	27.17	26.94	1

Spartan's Operating Netback before hedging averaged \$28.53 per BOE (\$27.17 per BOE after hedging) for the three months ended March 31, 2023, down 15% from \$33.73 per BOE before hedging (\$26.94 per BOE after hedging) in the comparative period. The reduction of Operating Netback, before hedging was primarily driven by softening commodity prices.

GENERAL AND ADMINISTRATIVE EXPENSES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Salaries and benefits	6,562	5,542	18
Other G&A expenses	2,925	3,772	(22)
Change in expected credit loss provision	195	235	(17)
Subtotal, before recoveries (“Gross G&A”) ⁽¹⁾	9,682	9,549	1
Overhead recoveries	(3,980)	(3,019)	32
Capitalized G&A	(855)	(750)	14
G&A expenses (“Net G&A”) ⁽¹⁾	4,847	5,780	(16)
Gross G&A (\$ per BOE)	1.34	1.46	(8)
Net G&A (\$ per BOE)	0.67	0.88	(24)

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

G&A expenses were \$4.8 million (\$0.67 per BOE) during the first quarter of 2023, decreasing from \$5.8 million (\$0.88 per BOE) in the corresponding period of 2022. G&A decreased primarily due to an increase in overhead recoveries. Salaries and benefits increased over the prior period as a result of an increase in head count, and reflects an increased cost to attract and retain talent in a competitive labour market, with an offsetting decrease in other G&A expenses as a result of a reduction in contractors and timing of certain expenditures.

G&A expenses are reported net of operating and capital overhead recoveries and capitalized G&A. Together, total overhead recoveries and capitalized G&A are \$4.8 million for the three months ended March 31, 2023, compared to \$3.8 million in the first quarter of 2022. The increase is attributed to higher operating overhead recoveries with growth of the Company’s asset base and an increased drilling program over the comparative period.

SHARE-BASED COMPENSATION

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Stock options	1,508	788	91
Share awards	10,384	1,879	453
Capitalized share-based compensation ⁽¹⁾	(480)	(144)	233
Share-based compensation expense	11,412	2,523	352
\$ per BOE	1.58	0.39	305

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

As part of the Company’s long-term incentive (“LTI”) plans, stock options and share awards may be granted to officers, directors, employees and consultants. During the first quarter of 2023, Spartan granted nominal restricted share awards and no stock options. During the first quarter of 2022, the Company granted 1.3 million restricted share awards and 0.8 million stock options with an average exercise price of \$8.14 per share. As at March 31, 2023, the aggregate of outstanding stock options and share awards represents 4.1% of Spartan’s total common shares issued and outstanding.

On March 28, 2023, Spartan announced that the Board approved the accelerated vesting of all outstanding RSAs and outstanding options, conditional upon the closing of the Asset Sale. The Board also announced its intention to cash settle all RSAs currently granted under the plan and, as such, the outstanding RSAs have been accounted for as a liability in the Consolidated Statement of Financial Position.

Share-based compensation (“SBC”) expense is recognized over the three-year vesting period using graded amortization. SBC expense was \$11.4 million for the three months ended March 31, 2023, up \$8.9 million over the corresponding period of 2022. The increase in SBC is primarily due to accelerated vesting resulting from the Asset Sale of \$5.2 million and a mark-to-market adjustment of \$2.7 million for the share-based compensation liability as a result of an increase in the Volume Weighted Average Trading Price of Spartan Shares (“VWAP”) from the modification date until period end. A mark-to-market adjustment was required as the Company is now settling all of its RSAs in cash which results in period-end revaluations based on changes in Spartan’s VWAP. Further increases in share-based compensation related to increases in fair value of awards granted due to appreciation of Spartan’s share price over the comparative period, higher staffing levels, and timing of new grants and the higher weighting of new grants to share awards relative to stock options.

FINANCING

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Interest and fees on long-term debt	6,070	6,767	(10)
Interest income	(988)	(3)	nm
Interest expense, net of interest income ⁽¹⁾	5,082	6,764	(25)
Financing cost of lease liabilities	652	765	(15)
Accretion of decommissioning obligations	993	697	42
Financing	6,727	8,226	(18)
Cash Financing Expenses (\$ per BOE) ⁽¹⁾	0.70	1.04	(33)
Financing (\$ per BOE)	0.93	1.27	(27)
Average debt outstanding in period ⁽²⁾	150,138	403,480	(63)

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

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

Spartan used Free Funds Flow generated to repay the Company’s bank debt in full and to significantly reduce its Net Debt to \$138.7 million at March 31, 2023, down from \$405.7 million at March 31, 2022. The Company’s quarter-end Net Debt includes the \$150.0 million principal amount of current debt outstanding on its second lien term facility, offset by positive working capital. Following repayment of its bank debt in the third quarter of 2022, Spartan began accumulating cash and had \$133.3 million of cash on hand at March 31, 2023.

Cash Financing Expenses decreased by 25% to \$5.1 million (\$0.70 per BOE) for the quarter ended March 31, 2023, compared to \$6.8 million (\$1.04 per BOE) in the same quarter of 2022. The decrease reflects materially lower average debt levels, partly offset by higher borrowing costs driven by rising interest rates. In addition, Spartan earned \$1.0 million of interest income on cash deposits during the first quarter of 2023 which helped to mitigate a portion of financing expenses on its Term Facility.

The Company’s cash deposits, Credit Facility (defined herein) and Term Facility (defined herein) bear floating interest rates and Canadian benchmark interest rates have risen sharply in response to high inflation in 2022 and 2023. Over the first quarter of 2023 the Bank of Canada increased its benchmark interest rate by a total of 25 basis points. Over the course of 2022, the Bank of Canada increased its benchmark interest rate by a total of 400 basis points. (see also, “Risks and Uncertainties – Interest Rate Risk”). Additional information regarding the Company’s debt and credit facilities is provided under the heading “Capital Resources and Liquidity”.

Spartan has various lease contracts in place for compression equipment, facilities, office buildings and vehicles. The Company’s total lease liability is \$43.3 million as at March 31, 2023 (December 31, 2022 - \$45.5 million). The financing cost of lease liabilities is relatively consistent at approximately \$0.7 million (March 31, 2022 - \$0.8 million).

Financing expenses also include non-cash accretion of decommissioning obligations. Accretion has increased relative to the comparative period due to higher interest rates. The yield on long-term Canadian benchmark bonds increased from 2.4% at March 31, 2022 to 3.0% at March 31, 2023 (see also, "Decommissioning Obligations").

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

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Depletion and depreciation of PP&E	65,827	42,358	55
Depreciation of ROU Assets	2,442	2,471	(1)
Depletion and depreciation	68,269	44,829	52
Impairment of E&E	21,030	476	nm
Impairment of PP&E	7,566	-	-
Total DD&I expense	96,865	45,305	114
Depletion and depreciation (\$ per BOE)	9.46	6.86	38
Total DD&I expense (\$ per BOE)	13.42	6.93	94

The Company reported depletion and depreciation ("**D&D**") expense of \$68.3 million (\$9.46 per BOE) for the first quarter of 2023, up 52% from \$44.8 million (\$6.86 per BOE) in the first quarter of 2022. The increase in D&D expense per BOE reflects higher costs to add reserves through organic growth in the current business environment relative to the Company's historical acquisition costs in both the Deep Basin and Montney. In addition, capital additions over the past twelve months have been more heavily weighted to the Montney which has a higher capital cost per BOE than in the Deep Basin.

The increase in D&D expenses is primarily due to the increase in the Company's property, plant and equipment ("**PP&E**") and production growth over the past year. On a per unit basis, the increase in D&D reflects the higher average cost per barrel for the oil-weighted Montney assets relative to the Deep Basin assets, with production being more weighted towards Montney assets.

Total DD&I expense for the quarter ended March 31, 2023, includes impairment losses in E&E and PP&E of \$21.0 million and \$7.6 million, respectively, on the Logan Assets.

Impairment

For the first quarter of 2023, Spartan recognized an impairment loss of \$7.6 million on PP&E triggered as a result of assets held for distribution in relation to the Spin-Out. The recoverable amounts were based on the assets' fair value less costs of disposal ("**FVLCD**") calculated using the present value of the expected future cash flows discounted at 13% after tax. In addition, an impairment loss on E&E associated with the Logan Assets in the amount of \$21.0 million was recorded during the three months ended March 31, 2023 as the carrying value of \$26.7 million exceeded the estimated fair value of \$5.7 million. The E&E assets associated with the Spin-Out have not been a recent development focus of Spartan, with the estimated fair value based on an independent third party land valuation for the Flatrock property. No indication of impairment was identified for the PP&E and E&E assets related to the Asset Sale.

See Note 2, Note 8 and Note 9 of Spartan's Interim Financial Statements for the quarter ended March 31, 2023 for further information regarding the estimation of recoverability of asset carrying values at March 31, 2023.

As at March 31, 2022, there were no indicators of impairment and no impairment charges recorded at the cash generating unit level.

OTHER INCOME (EXPENSES)

<i>(CA\$ thousands)</i>	Three months ended March 31	
	2023	2022
Gain on sale of assets	99	717
Write down of other non-current assets	-	(7,500)
Transaction costs	(2,250)	(24)
Other income	3,098	1,332
Foreign exchange gain	143	41
Other income, net of other expenses	1,090	(5,434)

Other income for March 31, 2023 primarily includes funding of \$3.1 million earned through the Alberta provincial government Site Rehabilitation Program (“SRP”) for certain abandonment and reclamation projects completed during 2023, as compared to the prior period’s other income which included \$0.7 million of SRP funding earned in the first quarter of 2022 (see also, “Decommissioning Obligations”) and a \$0.6 million gain on the disposition of certain non-core pipeline commitments. Other income was offset by transaction costs of \$2.3 million relating to legal fees resulting from the Asset Sale and Spin-Out.

In the first quarter of 2023, the Company received \$0.2 million of cash proceeds on minor property dispositions which resulted in a gain on sale of assets of \$0.1 million as a result of disposing of corporate assets.

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

INCOME TAXES

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31	
	2023	2022
Current income tax	-	-
Deferred income tax expense	28,573	20,845
Effective tax rate	25%	25%

The Company reported a deferred income tax expense of \$28.6 million during the first quarter of 2023 compared to \$20.8 million in the first quarter of 2022.

Spartan’s effective tax rate of 25% for the three months ended March 31, 2023, differs from the combined federal and Alberta provincial statutory rate of 23% primarily due to non-deductible expenses relating to share-based compensation expense and released share awards.

In the comparative period of 2022, the effective tax rate is higher than Spartan’s combined federal and Alberta provincial statutory rate of 23% primarily due to share-based compensation expense and a write-down of other non-current assets. A detailed reconciliation of the deferred income tax expense reported to the expected amount of tax expense based on the statutory rate is provided in note 14 of the Interim Financial Statements.

Spartan was not required to pay income taxes in the current or prior period as the Company had sufficient income tax deductions available to shelter taxable income. As at March 31, 2023, Spartan has a deferred income tax asset of \$100.2 million, down from \$120.0 million at December 31, 2022, in proportion to the \$28.6 million deferred tax expense for the quarter, offset by an \$8.8 million deferred tax asset recognized upon modification of Spartan’s share awards.

As at March 31, 2023, total available tax pools are estimated to be approximately \$2.1 billion as summarized in the table below.

<i>(CA\$ millions, unless otherwise indicated)</i>	Rate ⁽¹⁾	March 31, 2023	December 31, 2022
Canadian oil and gas property expenses (COGPE)	10%	161.3	158.9
Canadian development expenses (CDE)	30%	508.1	457.0
Canadian exploration expenses (CEE)	100%	1.5	-
Undepreciated capital cost (UCC) ⁽²⁾	25%	206.2	185.9
Share issue costs (SIC)	5 years	9.4	10.3
Non-capital losses (NCL) and other ⁽³⁾	100%	1,170.2	1,246.0
Total available tax pools (estimate) ⁽⁴⁾		2,056.7	2,058.1

- (1) The deduction rates shown represent the maximum annual deduction permitted on a declining balance basis, except for share issue costs which are deductible on a straight-line basis over 5 years.
- (2) The majority of the UCC balance relates to Class 41 assets which are deductible at 25% per year.
- (3) NCLs expire in years 2036 to 2041.
- (4) The estimate of "available" tax pools is net of valuation allowances and excludes certain successored resource deductions inherited through acquisitions which are not expected to be available for use by Spartan at this time.

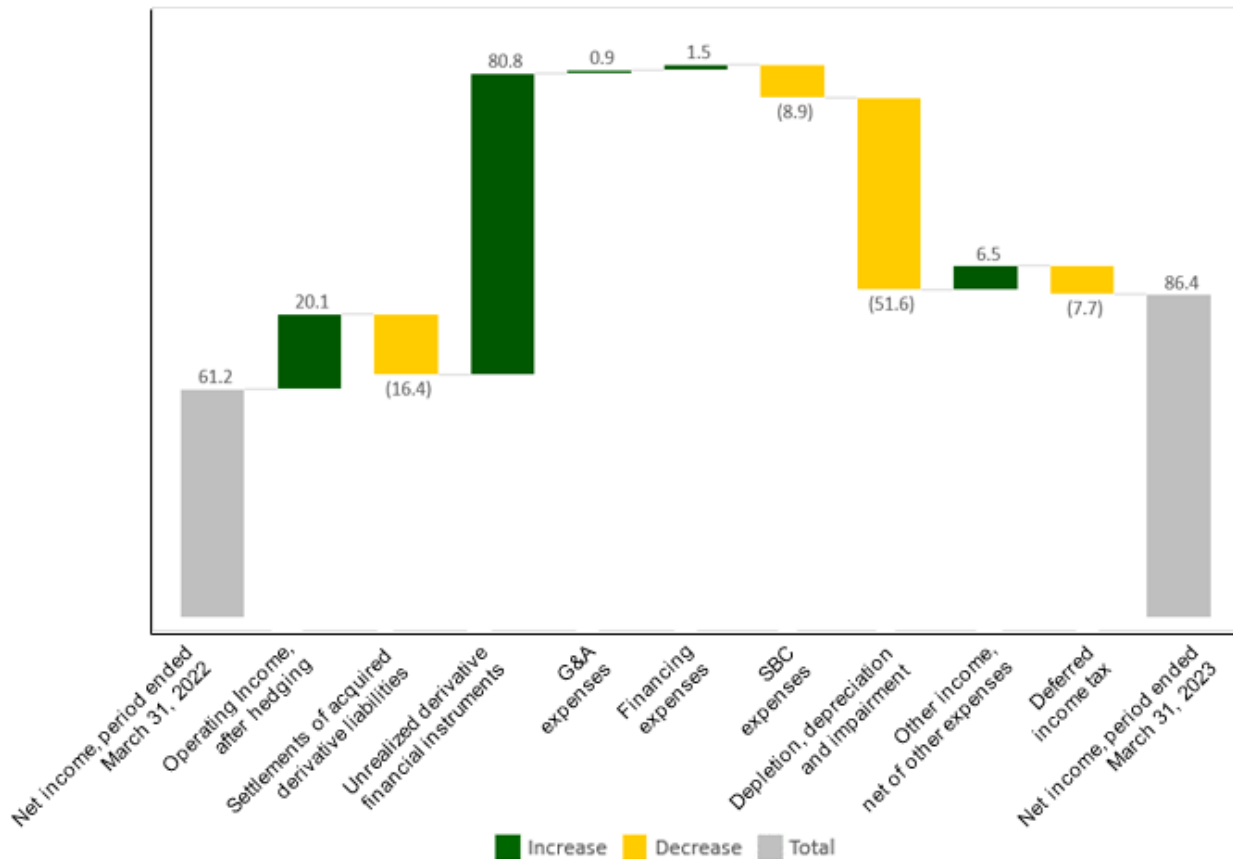
NET INCOME AND COMPREHENSIVE INCOME

<i>(CA\$ thousands, unless otherwise indicated)</i>	Three months ended March 31		
	2023	2022	%
Revenue	285,969	294,386	(3)
Expenses	(199,890)	(136,221)	47
Income before derivatives, other items and taxes ⁽¹⁾	86,079	158,165	(46)
Gain (loss) on derivative financial instruments	27,853	(70,709)	(139)
Other income, net of other expenses ⁽²⁾	1,090	(5,434)	120
Income before income taxes	115,022	82,022	40
Deferred income tax expense	28,573	20,845	37
Net income and comprehensive income	86,449	61,177	41
WA Shares outstanding – basic (000s)	171,422	153,292	12
WA Shares outstanding – diluted (000s)	176,407	170,962	3
Net income \$ per share – basic	0.50	0.40	25
Net income \$ per share – diluted	0.49	0.36	36

- (1) The subtotal "income before derivatives, other items and taxes" is provided to supplement the discussion below. It does not have a standardized meaning under IFRS and may not be directly comparable to other issuers.
- (2) Net income reported each period is impacted by other items in addition to the profit or loss generated by the Company's routine development and production operations. These other items primarily relate to A&D activities and are described under the heading "Other Income (Expenses)" in this MD&A.

The chart below summarizes the components of the change in net income from the first quarter of 2022 to the first quarter of 2023, using the change in Operating Income after hedging as the starting point.

Change in Net Income – Q1 2022 to Q1 2023 (\$ millions)



Spartan reported net income of \$86.4 million (\$0.49 per share, diluted) for the first quarter of 2023, up 41% from \$61.2 million (\$0.36 per share, diluted) in the same quarter of 2022. The increase in net income is primarily the result of an increase in unrealized gains on derivative financial instruments resulting from declining commodity prices in combination with increased oil production resulting in higher operating income after hedging, partially offset by impairments to E&E and PP&E of \$21.0 million and \$7.6 million, respectively, and an increase in D&D expenses due to the increase in the Company's production base over the past year.

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

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

First Quarter of 2023 compared to First Quarter of 2022 ⁽¹⁾

<i>Amounts are CA\$ millions (\$MM), except as noted</i>	Q1/23	Q1/22	Change ⁽¹⁾		Q1/23	Q1/22	
	\$MM	\$MM	\$MM	%	\$/BOE	\$/BOE	%
Oil and gas sales, net of royalties	282.6	290.6	(8.0)	(3)	39.16	44.49	(12)
Processing and other revenue	3.3	2.4	1.0	40	0.46	0.36	28
Operating expenses	(59.6)	(54.7)	(5.0)	9	(8.26)	(8.36)	(1)
Transportation expenses	(20.4)	(18.0)	(2.4)	13	(2.83)	(2.76)	3
Operating Income / Netback, before hedging ⁽²⁾	205.9	220.4	(14.4)	(7)	28.53	33.73	(15)
Settlements on Commodity Derivative Contracts ⁽²⁾⁽³⁾	(9.8)	(44.0)	34.2	(78)	(1.36)	(6.74)	(80)
Net Pipeline Transportation Margin ⁽²⁾	-	(0.4)	0.4	(100)	-	(0.05)	(100)
Operating Income / Netback, after hedging ⁽²⁾	196.1	176.0	20.1	11	27.17	26.94	1
G&A expenses	(4.8)	(5.8)	0.9	(16)	(0.67)	(0.88)	(24)
Interest expense, net of interest income	(5.1)	(6.8)	1.7	(25)	(0.70)	(1.04)	(33)
Financing cost of lease liabilities	(0.7)	(0.8)	0.1	(15)	(0.09)	(0.12)	(25)
Realized foreign exchange gain (loss)	0.4	-	0.4	nm	0.04	-	nm
Other income	-	0.6	(0.6)	(100)	-	0.10	(100)
Settlement of decommissioning obligations	(1.2)	(1.2)	0.1	(5)	(0.16)	(0.19)	(16)
Transaction costs	(2.3)	(0.0)	(2.2)	nm	(0.31)	-	nm
Funds from Operations ⁽²⁾	182.5	162.0	20.4	13	25.28	24.81	2
Change in non-cash working capital	32.3	(24.2)	56.5	(233)	4.47	(3.70)	(221)
Cash provided by operating activities	214.7	137.8	76.9	56	29.75	21.11	41
Funds from Operations ⁽²⁾	182.5	162.0	20.4	13	25.28	24.81	2
Add back: transaction costs	2.3	0.0	2.2	nm	0.31	-	nm
Deduct: lease payments	(2.4)	(2.3)	(0.1)	4	(0.34)	(0.36)	(6)
Adjusted Funds Flow ⁽²⁾	182.3	159.7	22.6	14	25.25	24.45	3
Adjusted Funds Flow per share ⁽²⁾							
Basic (\$ per common share)	1.06	1.04	0.02	2			
Diluted (\$ per common share)	1.03	0.92	0.11	12			

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

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

(3) Includes the realized loss on derivative financial instruments for the three months ended March 31, 2023 and 2022, plus gain on settlements of \$5.2 million and \$21.6 million, respectively, of derivative liabilities acquired in connection with the Velvet Acquisition.

Spartan generated \$196.1 million of operating income, after hedging for the three months ended March 31, 2023, up \$20.1 million, or 11% compared to the first quarter of 2022. The increase in operating income reflects a decreased loss on settlement of commodity derivative contracts and increased oil production, partially offset by declining commodity prices.

Spartan generated \$182.5 million of Funds from Operations for the three months ended March 31, 2023, up \$20.4 million or 13% compared to the first quarter of 2022. The increase in Funds from Operations is driven by higher Operating Income and a decrease in G&A expenses, partially offset by an increase in transaction costs related to the Asset Sale and Spin-Out. Cash expenditures to settle decommissioning obligations of \$1.2 million in the first quarter of 2023 were consistent with \$1.2 million incurred in the prior year quarter. Spartan settled an additional \$3.1 million of decommissioning obligations with government funding through the Alberta SRP during the first quarter of 2023 which does not impact the Company's cash flow (\$0.7 million settled in the first quarter of 2022).

Adjusted Funds Flow was \$182.3 million for the first quarter of 2023 after adding back \$2.3 million in transaction costs and deducting \$2.4 million of lease payments from Funds from Operations, resulting in Adjusted Funds Flow of \$1.03 per share on a diluted basis.

Spartan's cash provided by operating activities was \$214.7 million for the three months ended March 31, 2023, which was more than Funds from Operations due to the net change in non-cash working capital during the quarter. The change in non-cash working capital varies each period based on seasonal changes in corporate activity levels, the impact of production levels and commodity prices on accrued revenue receivable, and timing of processing payments, among other factors. In the first quarter of 2023, the net decrease in non-cash operating working capital of \$32.3 million is primarily due to the decrease in accrued revenue at March 31, 2023 compared to December 31, 2022. By comparison, the non-cash working capital deficit related to operating activities decreased by \$24.2 million in the first quarter of 2022 as the increase in accounts receivable exceeded the change in accounts payable as a result of increasing commodity pricing in that quarter.

CASH USED IN INVESTING ACTIVITIES AND CAPITAL EXPENDITURES

The Company's operational focus is on organic growth by investing in the development of its asset base.

The following table summarizes Spartan's Capital Expenditures during the quarters ended March 31, 2023 and 2022. The term Capital Expenditures does not have a standardized meaning under IFRS and may not be directly comparable to measures used by other companies. The most directly comparable GAAP measure is cash used in investing activities which was \$127.4 million and \$104.4 million for the three months ended March 31, 2023 and March 31, 2022, respectively (refer to reconciliation provided under the heading "Non-GAAP Measures and Ratios").

CAPITAL EXPENDITURES (CA\$ thousands)	Three months ended March 31		
	2023	2022	%
Land and seismic	7,839	1,884	316
Drilling and completion	94,110	82,061	15
Facilities, pipeline and well equipment	35,073	20,081	75
Production optimization and other assets	1,956	3,208	(39)
Capitalized G&A	855	750	14
Capital Expenditures before A&D ⁽¹⁾	139,833	107,984	29
Acquisitions	925	(102)	(1,007)
Dispositions	(156)	(465)	(66)
Capital Expenditures ⁽¹⁾	140,602	107,417	31

(1) Refer to "Non-GAAP Measures and Ratios" for the reconciliation to cash used in investing activities.

Capital Expenditures before A&D were \$139.8 million for the three months ended March 31, 2023. While the majority of capital expenditures over the past three months were incurred to drill, complete and equip new wells in the Montney and Deep Basin, the Company also completed production optimization projects and expanded its opportunity set by shooting seismic in its core areas. The Company's exploration and development capital expenditures were fully funded by cash provided by operating activities during the current and prior periods.

During the first quarter of 2023, Spartan drilled 2 (net 2.0) wells from a 2 well pad in Gold Creek West, 8 (8.0 net) wells over two pads in Gold Creek East and 1 (1.0 net) well off a 3 well pad in Karr which are expected to be brought on production in the second quarter of 2023. In addition, the Company brought on production a 4 (3.3 net) well pad in Gold Creek West that was drilled and completed in the fourth quarter of 2022.

In the Deep Basin, Spartan drilled 6 (6.0 net) wells, of which 2 (2.0 net) were drilled in the Cardium Formation, 1 (1.0 net) was drilled in the Falher A Formation, 2 (2.0 net) were drilled in the Falher B Formation, and 1.0 (1.0 net) was drilled in the Falher D Formation. A total of 10 (9.5 net) Deep Basin wells were completed in the first quarter, including 2.0 net wells drilled in the fourth quarter of 2022, and 9.5 net wells were brought on production, inclusive of 3.5 net wells drilled in the fourth quarter of 2022.

DRILLING ACTIVITY

<i>Number of Net Wells</i>	Three months ended March 31	
	2023	2022
Drilled ⁽¹⁾	17.0	12.0
Completed	12.5	14.5
On production	12.8	9.5
Service/disposal ⁽¹⁾	-	1.0

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

Other acquisitions and dispositions

The Company continuously seeks to optimize its asset base through strategic tuck-in acquisitions and non-core property dispositions. For the three months ended March 31, 2023 Spartan purchased seismic for \$0.9 million and disposed of corporate assets for \$0.2 million with a gain on sale of \$0.1 million.

During the year ended December 31, 2022, the Company completed minor property acquisitions, primarily for undeveloped land, for cash consideration of \$0.7 million net of \$0.2 million of proceeds from favorable closing adjustments on property acquisitions completed in the previous year. The Company also received \$1.3 million of aggregate cash proceeds on minor property dispositions which resulted in a gain on sale of assets of \$2.1 million primarily as a result of disposing of associated decommissioning liabilities.

DECOMMISSIONING OBLIGATIONS

As at March 31, 2023, the Company's total decommissioning obligations are estimated to be \$63.2 million, of which \$5.8 million are expected to be settled over the next twelve months. During the first quarter of 2023, the total carrying amount of decommissioning obligations decreased by \$65.4 million from \$128.6 million at December 31, 2022. The majority of the change is attributed to liabilities relating to the Asset Sale and the Spin-Out which were reclassified to liabilities held for sale or distribution. Spartan's decommissioning obligations also increased due to interest rates which increased the present value of Spartan's decommissioning obligations by \$6.7 million during the period. New obligations incurred by drilling in the quarter ended March 31, 2023 were more than offset by settlements.

Spartan is committed to environmental stewardship and has a proactive program to address its decommissioning obligations. The Company seeks to maintain an industry leading Liability Management Rating ("LMR") and to obtain a leading Licensee Capability Assessment ("LCA") rating as the industry transitions to the LCA system. The Company spent \$1.2 million on decommissioning during the three months ended March 31, 2023 and settled an additional \$3.1 million of liabilities through abandonment and reclamation projects funded through the Alberta SRP. Recoveries under the SRP are recognized in the financial statements in the period in which the work is completed.

ASSETS HELD FOR SALE OR DISTRIBUTION

<i>As at March 31, 2023 (CA\$ thousands)</i>	Held for Sale	Held for Distribution	Total
Right-of-use asset	1,575	233	1,808
Property, plant and equipment	1,061,359	84,580	1,145,939
Exploration and evaluation assets	79,224	5,708	84,932
Assets held for sale or distribution	1,142,158	90,521	1,232,679
Accounts payable and accrued liabilities	(1,447)	-	(1,447)
Lease liabilities	(1,581)	(243)	(1,824)
Decommissioning obligations	(39,849)	(29,698)	(69,547)
Liabilities classified as held for sale or distribution	(42,877)	(29,941)	(72,818)
Net assets of disposal groups	1,099,281	60,580	1,159,861

Assets Held for Sale

On March 27, 2023, Spartan entered into the Agreement with Crescent Point providing for the Asset Sale of the Company's Gold Creek and Karr Montney properties for \$1.7 billion of cash consideration before closing adjustments. These assets and related liabilities are classified as held for sale within the Interim Financial Statements as at March 31, 2023, as it was determined to be highly probable that the assets and associated liabilities would be sold within the upcoming twelve months. Subsequent to the period end, the Asset Sale closed on May 10, 2023 (see "Subsequent Events").

Assets Held for Distribution

Pursuant to the planned Spin-Out, the Company will transfer the Logan Assets and associated liabilities to which the Logan Shares and the Transaction Warrants will then be distributed to eligible Spartan shareholders. The Distribution is to be approved by Spartan shareholders at the annual general and special meeting of Spartan shareholders to be held on May 16, 2023. The Logan Assets have been reclassified to assets held for distribution at March 31, 2023 as it was determined the Spin-Out was highly probable to be completed in the upcoming twelve months. Immediately prior to the reclassification an impairment analysis was completed which resulted in an impairment of \$28.6 million, comprised of an impairment of E&E of \$21.0 million and an impairment of PP&E of \$7.6 million (See "Depletion, Depreciation and Impairment").

CAPITAL RESOURCES AND LIQUIDITY

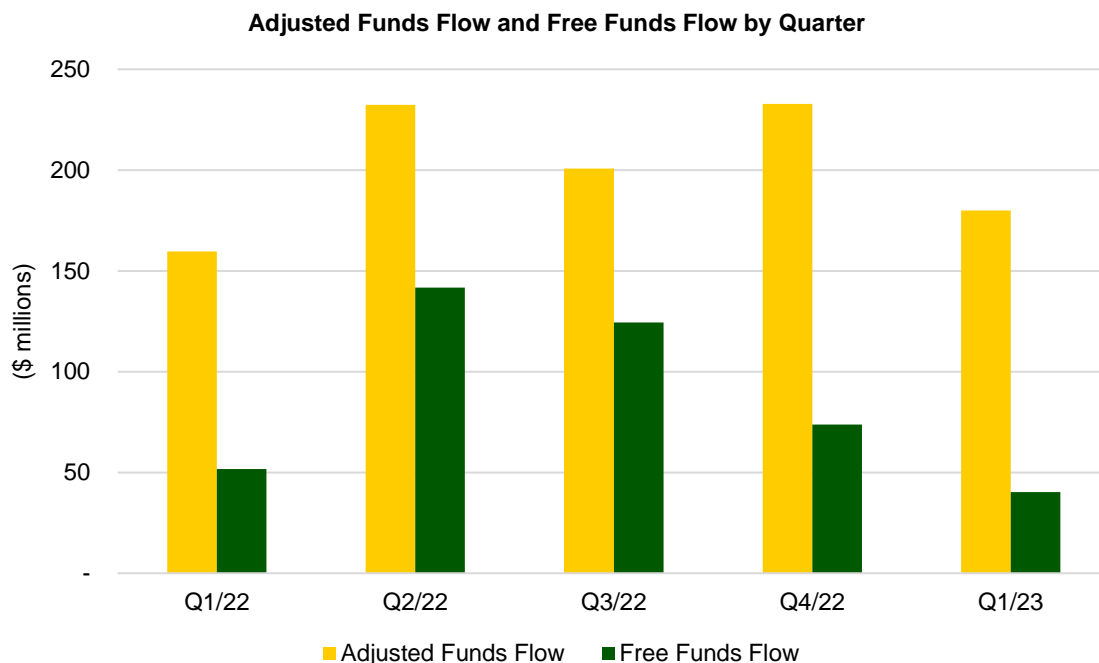
Spartan's capital management objectives are to maintain a flexible capital structure in order to respond to changes in economic conditions, execute on strategic opportunities throughout the business cycle, meet its financial obligations, return capital to shareholders through payment of dividends, and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

During the first quarter of 2023, the Company's primary sources of funds were \$182.3 million of Adjusted Funds Flow, supplemented by working capital and short-term advances of bank debt under the revolving credit facility.

Cash provided by operating activities of \$214.7 million for the three months ended March 31, 2023 was used to fund the Company's exploration and development capital expenditures of \$139.8 million, lease principal payments of \$2.4 million, and to fund the cash dividend paid in January 2023 of \$76.6 million related to the \$85.7 million (\$0.50 per common share) dividend declared in the fourth quarter of 2022.

Following the closing of the Asset Sale (see "Assets Held for Sale or Distribution"), the Company is expected to declare a \$9.50 cash distribution per common share of Spartan from the cash proceeds of the Asset Sale. A total \$479.4 million of the distribution is expected to be paid as a reduction of statement capital in respect of the Spartan Shares. This reduction in stated capital is to be approved by shareholders' meeting to be held on May 16, 2023. On May 10, 2023, Spartan declared an additional special cash dividend of \$0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023. Spartan intends to return a portion of its Free Funds Flow to Spartan shareholders through periodic special dividends, while maintaining a strong financial position targeting a leverage ratio of approximately 0.5x debt to cash flow.

Free Funds Flow is a non-GAAP financial measure calculated by Spartan as Adjusted Funds Flow less Capital Expenditures before A&D (refer to calculation under the heading "Non-GAAP Measures and Ratios"). Spartan uses Free Funds Flow as an indication of the amount of funds the Company has available for future capital allocation decisions such as to repay long-term debt, reinvest in the business or return capital to shareholders. The following chart summarizes Spartan's quarterly Adjusted Funds Flow and Free Funds Flow during 2022 and 2023:



Spartan's Free Funds Flow was \$42.4 million for the three months ended March 31, 2023, compared to \$51.7 million for the three months ended March 31, 2022. The amount of Free Funds Flow reported each quarter reflects the seasonality of the Company's oil and gas operations, market fluctuations including volatility of commodity prices, and the use of Adjusted Funds Flow to finance higher capital expenditures during the winter drilling seasons.

As at March 31, 2023 and December 31, 2022, the Company's capital structure is comprised of working capital, long-term debt and shareholders' equity. The following table summarizes the Company's total capitalization based on the market value of Spartan's common shares on the TSX. Spartan's total capitalization decreased by 6% quarter-over-quarter to \$2.7 billion as of March 31, 2023 primarily driven by a 6% decrease in share price. As at March 31, 2023, the market value of common shares represented 91% of the Company's total capitalization.

CAPITALIZATION	March 31, 2023	December 31, 2022	Change %
Common shares outstanding (000s)	171,426	171,410	-
Share price (last price traded in the quarter)	\$14.10	\$14.95	(6)
Market capitalization of common shares ⁽¹⁾⁽²⁾	2,417,107	2,562,580	(6)
Current assets	(1,563,227)	(309,008)	406
Current liabilities	480,992	278,627	73
Working capital surplus	(1,082,235)	(30,381)	nm
Assets held for sale or distribution ⁽³⁾	1,232,679	-	nm
Long-term debt	-	145,180	(100)
Long-term portion of:			
Lease liabilities ⁽⁴⁾	33,693	36,045	(7)
Decommissioning obligations ⁽⁴⁾	57,368	122,802	(53)
Total capitalization ⁽²⁾	2,658,612	2,836,226	(6)

(1) The carrying value of Spartan's shareholders equity was \$1.583 billion at March 31, 2023 and \$1.517 billion at December 31, 2022 .

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

(3) Adjusted for assets held for sale or distribution as balances relate to previously classified long-term assets, which are not included in the total capitalization calculation.

(4) Additional liabilities related to assets held for sale or distribution are included in the current liabilities above.

The Company had a working capital surplus of \$1.1 billion at March 31, 2023, compared to \$30.4 million at December 31, 2022. The increase is primarily related to assets held for sale or distribution and liabilities related to assets held for sale or distribution which held a net asset value of \$1.2 billion for the disposal groups at March 31, 2023. Excluding derivative financial instruments, lease liabilities, held for sale assets, current debt and liabilities related to held for sale assets, Spartan's Adjusted Working Capital surplus is \$7.0 million at March 31, 2023, which was relatively consistent to an Adjusted Working Capital surplus of \$6.8 million at December 31, 2022. The working capital surplus includes \$133.3 million of cash on hand at March 31, 2023 as bank debt was fully repaid during the prior year.

Depending on commodity prices, the capital-intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment. The Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at March 31, 2023, the Company's \$450.0 million revolving credit facility is undrawn.

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Annualized AFF Ratio", which is a non-GAAP financial ratio calculated as the ratio of the Company's "Net Debt" to "Annualized Adjusted Funds Flow". As at March 31, 2023, Spartan had Net Debt of \$138.7 million, which is approximately 0.2 times the Company's Annualized Adjusted Funds Flow for the first quarter of 2023, consistent with the 0.2 times at December 31, 2022. The components of the Company's Adjusted Working Capital (surplus) deficit, Net Debt, and the calculation of the Net Debt to Annualized AFF Ratio are provided in the following table:

(Assets) Liabilities (CA\$ thousands, except as noted)	March 31, 2023	December 31, 2022
Cash	(133,304)	(124,399)
Accounts receivable	(100,801)	(140,413)
Prepaid expenses and deposits	(8,072)	(8,011)
Other current assets	(7,839)	(2,340)
Accounts payable and accrued liabilities	187,078	176,855
Dividends payable	9,060	85,704
Share-based compensation liability	41,032	-
Current portion of decommissioning obligations	5,800	5,800
Adjusted Working Capital surplus	(7,046)	(6,804)
Current debt	145,752	-
Long-term debt	-	145,180
Net Debt	138,706	138,376
Annualized Adjusted Funds Flow ⁽¹⁾⁽²⁾	729,104	874,096
Net Debt to Annualized AFF Ratio ⁽¹⁾	0.2 x	0.2 x

(1) The calculation of Annualized Adjusted Funds Flow has been normalized for the gain of \$14.3 million recognized on completion of an infrastructure construction project during the fourth quarter of 2022.

(2) The Annualized Adjusted Funds Flow reflects operations as at March 31, 2023; the Annualized Adjusted Funds Flow will change after the Asset Sale and Spin-Out are completed.

Spartan is well positioned to fund its financial liabilities and to execute on its business strategy. The Company's exploration and development capital expenditure program for 2023 is expected to be fully funded by a combination of cash on hand and cash provided by operating activities. On November 8, 2022, Spartan declared a special dividend of \$0.50 per common share payable on January 16, 2023, to eligible shareholders of record as of December 15, 2022. Spartan has paid \$76.6 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of \$9.1 million continues to be accrued as a financial liability.

Subsequent to March 31, 2023, Spartan amended its Credit Facility and Term Facility, pursuant to which, the authorized borrowing base of the Credit Facility was reduced from \$450.0 million to \$250.0 million and the maturity date of the

Term Facility was accelerated to December 29, 2023. As a condition precedent to the amended Credit Facility, the Intercreditor Agreement was concurrently amended to limit the aggregate principal amount outstanding between the two facilities to \$250.0 million until such time as the Term Facility is extinguished on December 29, 2023 (see “Long Term Debt – Credit Facility” and “Long Term Debt – Term Facility”). The Company has sufficient liquidity for the next 12 months as current cash balances of \$133.3 million, future cash flow from operations and access to the undrawn amended Credit Facility is expected to be sufficient to fund the Term Facility repayment and meet the Company’s financial obligations.

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

<i>(CA\$ thousands)</i>	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	187,078	-	-	-	187,078
Dividends payable	9,060	-	-	-	9,060
Derivative financial instrument liabilities	9,822	-	-	-	9,822
Credit Facility ⁽¹⁾	509	-	-	-	509
Term Facility ⁽²⁾	18,712	53,300	138,626	-	210,638
Undiscounted lease liabilities ⁽³⁾	12,646	23,937	11,989	2,688	51,260
Share-based compensation liability	41,032	-	-	-	41,032
Total	278,859	77,237	150,615	2,688	509,399

(1) The Credit Facility is undrawn as at March 31, 2023. The table above includes estimated standby charges to be incurred on the \$450.0 million authorized borrowing base to May 30, 2023, being the end of the current revolving period. Subsequent to March 31, 2023, Spartan amended its Credit Facility (see “Current and Long-Term Debt”).

(2) The table above reflects the legal maturity for the Term Facility as at March 31, 2023. The above includes principal, estimated interest and fee payments. The Term Facility was subsequently amended to accelerate repayment to December 2023 and presented as current (see “Current and Long-Term Debt”). Under the amended agreement, the principal, estimated interest and a make-whole premium is \$176.2 million.

(3) As at March 31, 2023, the present value of the Company’s total lease liability is \$43.3 million, of which \$9.6 million is expected to be settled in the next twelve months.

CURRENT AND LONG-TERM DEBT

As at March 31, 2023, total debt is comprised of bank debt drawn under the revolving credit facility and indebtedness under the second lien term facility. The balance of debt is presented net of unamortized issue costs.

<i>(CA\$ thousands)</i>	March 31, 2023	December 31, 2022	Change
Bank debt	-	-	-
Second lien term facility	150,000	150,000	-
Unamortized issue costs and prepaid interest	(4,248)	(4,820)	572
Debt	145,752	145,180	572

Bank Debt

The Company has a senior secured revolving credit facility with a syndicate of financial institutions (the “**Credit Facility**”). The authorized borrowing base available under the Credit Facility is \$450.0 million, comprised of a \$50.0 million operating facility and a \$400.0 million syndicated facility. As at March 31, 2023, the Credit Facility is undrawn.

In connection with the closing of the Asset Sale on May 10, 2023 and subsequent to March 31, 2023, the Company amended its Credit Facility pursuant to which the authorized borrowing amount was reduced to \$250.0 million, comprised of a \$50.0 million operating facility and a \$200.0 million syndicated facility. Further, as a condition precedent to the Credit Facility amendment, the Intercreditor Agreement between the lender for the Term Facility and the syndicate of lenders for the Credit Facility has been concurrently amended. The Intercreditor Agreement limits (i) the aggregate

principal amount to be drawn on the Credit Facility to \$100.0 million until such time as the Term Facility is repaid on December 29, 2023; (ii) future dispositions to not exceed \$12.5 million; and (iii) future distributions for 2023 shall not be greater than \$25.0 million per quarter.

The Credit Facility will have a revolving period of 364 days from May 10, 2023 extendible annually at the request of the Company, subject to approval of the Lenders. If not extended, the facilities will automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period. The borrowing base is subject to semi-annual reviews occurring approximately in May and November of each year and may also be subject to redetermination upon, among other things, the liability management rating of the Company falling below 2.0 or disposing of material properties. Concurrent with the closing of the Asset Sale, the Company completed its May borrowing base redetermination, with the next borrowing base redetermination scheduled for November 2023.

The Company is subject to certain financial covenants under the Credit Facility which include: for so long as the following covenants apply to the Term Facility:

- (A) the maximum funded debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as defined in the credit agreement and below), calculated quarterly, shall not exceed 2.5 to 1.0; and
- (B) the asset coverage ratio of the Company shall not be less than 1.5 to 1.0, calculated annually.

As at March 31, 2023, Spartan is in compliance with all covenants (refer to note 12 of the Interim Financial Statements).

The Credit Facility provides for borrowings through direct advances, bankers' acceptances and letters of credit. Interest is payable monthly for borrowings through direct advances at the bank's prime rate plus the applicable margin. Borrowings through bankers' acceptances are typically advanced for maturity periods of one to three months and are funded net of interest at the Canadian Dollar Offered Rate ("CDOR") plus bank stamping fees at the applicable margin. The Company incurs standby fees on the undrawn facility which also fluctuate based on the applicable margin.

LC Facility

The Company has a demand letter of credit facility (the "**LC Facility**") which provides Spartan with \$25.0 million of additional credit capacity to issue letters of credit. The letters of credit may be issued for general corporate purposes and are limited to a term of one year from the date of issuance. Letter of credit obligations, when incurred, are repayable on demand. The LC Facility provides Spartan with additional access to capital as letters of credit issued under the LC Facility will not reduce the borrowing capacity under the operating facility. As at March 31, 2023, there was \$2.0 million of issued but undrawn letters of credit under the LC Facility.

Second Lien Term Facility

On August 31, 2021, the Company established a \$150.0 million non-revolving term facility (the "Term Facility"). The Term Facility is a single drawdown facility and has a sixty-month term maturing on August 31, 2026. The Term Facility is secured by a \$300 million demand debenture on a second-priority basis to the Credit Facility with the option to repay before August 31, 2024 with penalties. The Term Facility bears a floating interest rate of Canadian bank prime plus 5.25%, payable monthly, and is subject to an annual review fee of 0.5%, payable annually. Covenants include the same asset coverage ratio and funded debt to EBITDA financial covenants as the Credit Facility, as described above.

Subsequent to March 31, 2023, the Company has agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility. As a result of the December repayment date, the Term Facility has been presented as current. Spartan shall pay all accrued and unpaid interest and fees, plus the applicable make-whole premium and all other obligations owing to such Lender under the Term Facility. The make-whole premium is equal to (i) all future interest payments and (ii) all payments of annual review fees, that would otherwise be payable up to August 31, 2024.

The Term Facility will now bear interest at a fixed rate of 11.95% payable monthly and be subject to the same asset coverage and total debt to EBITDA financial covenants as the amended Credit Facility, as described above. Further, as a condition precedent to the Credit Facility amendment, the Intercreditor Agreement between the lender of the Term

Facility and the syndicate of lenders for the Credit Facility has been concurrently amended (see “Long Term Debt – Credit Facility”).

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 of March 31, 2023 and as of the date of this MD&A, there were 171.4 million common shares outstanding (171.4 million as at December 31, 2022). There are no preferred shares or special shares outstanding.

Spartan’s common shares are listed on the TSX under the trading symbol "SDE". The volume weighted average trading price of Spartan’s common shares on the TSX was \$13.59 per common share for the three month period March 31, 2023. Spartan’s closing share price was \$14.10 on March 31, 2023 compared to \$14.95 on December 31, 2022.

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

(000s)	Three months ended March 31		
	2023	2022	%
WA Shares outstanding, basic	171,422	153,292	12
Dilutive effect of outstanding securities	4,985	17,670	(72)
WA Shares, diluted – for EPS	176,407	170,962	3
Incremental dilution for AFF ⁽¹⁾	881	1,783	(51)
WA Shares, diluted – for AFF ⁽¹⁾	177,288	172,745	3

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

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

Number of securities outstanding (000s)	December 31, 2022	March 31, 2023	May 12, 2023
Common shares	171,410	171,426	171,426
Stock options ⁽¹⁾	3,323	3,306	3,306
Share awards ⁽²⁾	3,546	3,667	3,667
Total securities outstanding ⁽³⁾	178,279	178,399	178,399

(1) The stock options outstanding as at March 31, 2023 have an average exercise price of \$4.56 per common share with an average remaining term of 0.1 years.

(2) Converted to cash method and shares will not be issued upon exercise (see “Significant Estimates and Judgements – Share-Based Compensation”).

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

COMMITMENTS AND CONTINGENCIES

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

<i>(CA\$ thousands)</i>	2023	2024	2025	2026	2027	Thereafter
Gas transportation ⁽¹⁾	17,173	22,418	22,026	18,295	12,853	10,574
Liquids transportation ⁽²⁾	15,605	17,273	17,226	17,226	17,226	19,688
NGLs fractionation ⁽³⁾	1,071	1,425	1,421	1,421	1,421	3,197
Processing fees ⁽⁴⁾	5,832	4,295	4,219	4,138	4,138	26,176
Capital commitments ⁽⁵⁾	28,021	24,017	22,678	73	-	-
Total commitments ⁽⁶⁾	67,702	69,428	67,570	41,153	35,638	59,635

- (1) Spartan has firm transportation commitments on natural gas pipelines in Alberta until October 2029.
- (2) Relates to upstream oil and NGLs transportation contracts in place until December 2028 and March 2030.
- (3) Includes: (i) an agreement for fractionation fees on the committed volume of C3+ mix purchased until March 2023; and (ii) an agreement for the delivery of firm volume of C3+ to a fractionation facility until March 2030.
- (4) Processing fee commitments relate to the following agreements: (i) a gas handling agreement at the Wapiti plant for transportation, compression and processing of natural gas until June 2023; (ii) firm capacity for natural gas gathering and processing at the Fourth Creek gas plant until October 2025; (iii) firm capacity for natural gas gathering and processing at the Kanata Simonette gas plant until September 2040.
- (5) As at March 31, 2023, capital commitments include: (i) the remaining commitment to drill and tie-in 9 wells (estimate \$67.2 million) over a three-year period or be subject to a penalty of \$2.8 million per well, pursuant to an infrastructure construction contract as described in note 7 of the Interim Financial Statements and (ii) an agreement committing Spartan to purchase \$6.8 million of casing and tubing for future capital projects over 2023 to 2024.
- (6) The commitments table does not include lease liabilities. A contractual maturity of the Company's financial liabilities and undiscounted lease payments is provided in "Capital Resources and Liquidity".

Following the completion of the Asset Sale and Spin-Out, the Company anticipates \$240.7 million of the commitments included in the above will be transferred to Crescent Point and \$59.6 million of the commitments will be transferred to Logan.

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 Interim Financial Statements as at March 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

Spartan has two wholly owned subsidiaries as at March 31, 2023, Inception General Partner Inc. and Logan Energy Corp. Transactions between Spartan and its subsidiaries are eliminated on consolidation. Inception General Partner Inc. was subsequently disposed of through the Asset Sale on May 10, 2023 and Logan Energy Corp. is expected to be distributed through the Spin-Out (see "Assets Held for Sale or Distribution").

b) Related party transactions

During the three months ended March 31, 2023, the Company incurred \$2.4 million of legal fees to a law firm where the corporate secretary of the Company is a partner (March 31, 2022 – \$0.3 million), with the fees primarily relating to legal support through the Asset Sale and Spin-Out. Approximately \$2.0 million of legal fees are included in the balance of accounts payable and accrued liabilities as at March 31, 2023 (December 31, 2022 – \$0.1 million).

ARETI Energy S.A.

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

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

In addition, the Company agreed to amend and terminate certain agreements which obligated ARETI to indemnify Spartan in certain circumstances. As a result, Spartan recorded a write down of other non-current assets of \$7.5 million during the first quarter of 2022 related to the indemnification assets recognized in the purchase price allocation for the Inception Acquisition completed in 2021. Spartan has no further contractual relationship with ARETI as a result of the foregoing.

SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Asset Sale closed on May 10, 2023. On closing, cash proceeds of \$1.7 billion were received and are currently held in 5% interest bearing deposit accounts with Canadian chartered banks.

The Company is expected to declare a \$9.50 cash distribution per common share of Spartan from the cash proceeds of the Asset Sale and reduce the stated capital account maintained in respect of the Spartan Shares by \$540.0 million. Pursuant to the Distribution, Spartan will distribute \$479.4 million in cash and \$60.6 million in Logan Shares and Logan Transaction Warrants as a return of capital to eligible Spartan shareholders. The balance of the Distribution will be distributed to eligible Spartan shareholders as a special dividend which, for Canadian income tax purposes, will be designated as an "eligible dividend." The reduction in stated capital is to be approved by shareholders' meeting to be held on May 16, 2023.

On May 10, 2023, Spartan declared an additional special cash dividend of \$0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023. The special dividend is designated as an eligible dividend for Canadian income tax purposes.

Concurrent with the closing of the Asset Sale, the Credit Facility and Term Facility were amended to reduce the borrowing base under the Credit Facility to \$250.0 million and to accelerate maturity of the Term Facility to December 2023.

SUMMARY OF QUARTERLY INFORMATION

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

<i>(CA\$ millions, except as noted)</i>	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	286.0	321.9	317.0	382.0	294.4	267.0	134.1	88.8
Net income and comprehensive income	86.4	152.9	285.3	181.7	61.2	128.5	126.9	19.7
\$ per share, basic	0.50	0.95	1.84	1.17	0.40	0.84	1.01	0.17
\$ per share, diluted	0.49	0.87	1.64	1.05	0.36	0.76	0.87	0.15
Funds from Operations ⁽¹⁾	182.5	235.1	202.8	234.6	162.0	139.5	68.8	55.4
Capital Expenditures ⁽¹⁾⁽²⁾	140.6	159.4	82.3	90.6	107.4	115.9	437.6	19.7
Total assets	2,155.1	2,099.5	1,964.6	1,811.7	1,811.8	1,742.4	1,684.3	730.0
Working capital deficit (surplus)	(1,082.2)	(30.4)	7.2	79.8	142.3	133.4	152.6	(101.1)
Long-term liabilities	91.1	304.0	310.8	397.1	553.4	612.2	655.1	210.8
Shareholders' equity	1,583.0	1,516.8	1,428.7	1,139.8	950.7	886.6	756.2	437.7
Average daily production (BOE/d)	80,200	74,639	72,134	72,966	72,588	72,428	46,282	39,638
% Liquids	39%	39%	39%	38%	37%	38%	32%	29%
Average realized price (\$ per BOE)	43.81	52.01	52.32	65.92	49.35	44.48	34.31	26.71
Operating Netbacks ⁽¹⁾								
Before hedging (\$ per BOE) ⁽¹⁾	28.53	35.47	36.10	45.56	33.73	30.00	22.16	17.43
After hedging (\$ per BOE) ⁽¹⁾	27.17	34.28	32.74	37.47	26.94	23.36	18.79	16.89

(1) "Funds from Operations", "Capital Expenditures" and "Operating Netbacks" do not have standardized meanings under IFRS, refer to "Non-GAAP Measures and Ratios".

(2) Excludes non-cash consideration for acquisitions. Refer to "Cash Used in Investing Activities and Capital Expenditures" section of this MD&A for additional information.

The Company had an acquisitive growth strategy in 2021 that materially advanced Spartan's operations, financial position and results. The Company initially established its position in the Deep Basin through the acquisition of substantially all of the assets of Bellatrix in June 2020 for total consideration of \$108.8 million (the "**BXE Asset Acquisition**"). Spartan completed several acquisitions in 2021 which added a second core area in the Montney, the most significant being the corporate acquisitions of Inception on March 18, 2021 and Velvet on August 31, 2021. Spartan's focus subsequently transitioned to organic growth, investing a total of \$580.3 million into exploration and development capital expenditures across its core asset base over the past five quarters. Spartan completed the corporate acquisition of Bellatrix for a cash purchase price of \$6.0 million (the "**Bellatrix Corporate Acquisition**") in August of 2022, adding a deferred income tax asset of \$143.9 million in exchange for cash consideration of \$6.0 million, which also contributed to significant net income reported in the third quarter of 2022.

Corporate acquisitions completed in the 2021 fiscal year (the "**2021 Acquisitions**") drove the majority of the increase in production volumes and revenues in combination with the recovery of commodity prices, compared to the historical low average prices during the height of the COVID-19 pandemic in 2020. Commodity prices subsequently exceeded pre-pandemic levels during 2021. During the second quarter of 2022, global crude oil prices rose to the highest levels since 2014 and continued to be strong in the second half of 2022. Commodity prices softened in Q1 2023, reflecting a reduction in revenue over the quarter. Average production in the first three quarters of 2022 was relatively flat as new drilling offset natural declines and downtime due to turnarounds, with production in the fourth quarter of 2022 and first quarter of 2023 reflecting growth from the Company's successful drilling program.

The increase in Operating Netbacks from Q2 2021 to Q2 2022 reflects the stronger realized prices, partly offset by higher per unit operating and transportation expenses driven by the increased oil weighting of the Company's asset base, turnarounds performed in 2022, as well as inflationary pressures due to higher industry activity levels. Operating Netbacks softened in the second half of 2022 and Q1 2023 as benchmark pricing has decreased from the peak seen in the second quarter of 2022, partly offset by lower royalties and operating expenses. Spartan's net income includes a gain of \$89.0 million on the Velvet Acquisition in the third quarter of 2021 and \$3.1 million on the Ferrier Acquisition in the third quarter of 2021. Additionally, net income for the third quarter of 2022 includes a deferred tax recovery of \$137.9 million recognized in connection with the Bellatrix Corporate Acquisition. The fourth quarter of 2022 includes

other income of \$14.3 million related to an infrastructure construction project. The first quarter of 2023 includes impairments to E&E and PP&E of \$21.0 million and \$7.6 million, respectively.

Unrealized changes in the fair value of derivative financial instruments also contributed to significant fluctuations in net income each quarter. In particular, Spartan's net income includes an unrealized gain of \$38.1 million, \$38.2 million and \$23.6 million for the second, third and fourth quarters of 2022, respectively, and \$32.5 million for the first quarter of 2023, as compared to an unrealized loss of \$48.3 million in the first quarter of 2022.

The 2021 Acquisitions were financed through a combination of cash provided by operating activities, equity offerings and long-term debt. In August 2021, the Company raised \$150.0 million of gross proceeds through a prospectus offering at \$5.05 per common share. Additionally, the Company secured a \$150.0 million five-year Term Facility and increased the borrowing base available under the Credit Facility to \$450.0 million in August 2021. In the fourth quarter of 2022, the Company declared a special cash dividend of \$0.50 per common share payable on January 16, 2023, to eligible shareholders of record at the close of business on December 15, 2022.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and newly adopted accounting policies applied by the Company are described in note 3 of the Interim Financial Statements as at March 31, 2023.

The International Accounting Standards Board has issued a number of new accounting standards, amendments to accounting standards and interpretations that are effective for periods beginning on or after January 1, 2023. None of the accounting pronouncements are expected to have a material impact upon initial adoption. Spartan will continue to evaluate the impact of the pronouncements which will be adopted on their respective effective dates.

Assets held for sale or distribution

Non-current assets (and disposal groups) classified as held for sale or distribution are measured at the lower of carrying value and FVLCD.

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

Assets held for sale or distribution are measured at the lower of carrying value or FVLCD, with impairment recognized for any write down to FVLCD.

Distribution of assets

Spartan's Board of Directors may, in its sole discretion, determine whether to distribute assets to shareholders. A liability for distribution of assets to shareholders is recognized on authorization of the board of directors. The distribution will be measured at the fair value of the assets to be distributed. Upon settlement of the distribution payable, the difference between the carrying amount of the assets distributed and the carrying value of the distribution will be recognised as a gain or loss.

The Board of Director authorization to complete the Spin-Out is contingent on shareholder approval of a Logan non-brokered private placement for aggregate proceeds of \$47.5 million (the "Logan Financing"), to be voted on at the annual general meeting on May 16, 2023 (refer to the Spartan Information Circular as filed on SEDAR). Should the Logan Financing not be approved, the Spartan Board of Directors may, in its sole discretion, determine not to proceed with the Spin-Out. A liability for the distribution of Logan will be recorded when: (i) the Logan Financing has been approved or (ii) at the Spartan Board's discretion.

Exploration and evaluation expenditures

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

Share-based compensation

The Company's share-based compensation plan allows for the granting of equity-settled awards in connection with the Company's stock option plan, restricted share awards ("RSA") and performance share awards ("PSA") to directors, officers, employees and consultants of the Company in connection with the Company's share award incentive plan. Details regarding the share award incentive plan are provided in note 13(e) and note 3(n) of the 2022 Annual Financial Statements. The share award incentive plan allows the holder of an RSA or PSA to receive a cash payment or its equivalent in common shares, at the Company's discretion, equal to the fair market value of the Company's common shares calculated at the date of such payment. As of March 31, 2023, Spartan has only granted RSAs under the share aware incentive plan and has historically settled all vested RSAs through the issuance of common shares.

On March 28, 2023, Spartan announced that the Board approved the accelerated vesting of all outstanding RSAs and outstanding options, conditional upon the closing of the Asset Sale. Additionally, the issued and outstanding share awards will be settled on a cash basis. The intention of the Board to settle all outstanding RSAs in cash requires the RSAs to be accounted for as a liability as of the date of modification. On initial recognition of the liability as of the modification date, the fair value of the equity-settled award based on the elapsed portion of the accelerated vesting period is recorded as a liability with the offset recorded against equity. This liability is then remeasured at each subsequent reporting date. Any fluctuations in the fair value are recognized within share-based compensation expense (recovery) with a corresponding charge to the liability.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. The significant judgements, estimates and assumptions made by management are consistent with those outlined in note 2 of the Interim Financial Statements.

Disposal of non-current assets

Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. A component must also represent a separate major line of business or a geographical segment as defined under IFRS 8 *Operating Segments*. Judgement is required in determining whether 'discontinued operations' accounting is required. At March 31, 2023, the Company has concluded that the assets and liabilities held in connection with the Asset Sale and the Spin-Out are appropriately disclosed as assets and liabilities held for sale or distribution.

The Company has not presented discontinued operations as the associated assets and liabilities in the Asset Sale and the Spin-Out are not a separate line of business or a separate geographical area of operation. According to the Company's accounting policy on reporting segments, Spartan sees its assets as being oil and gas assets in the geographic region of Alberta and does not view these as separate regions for operational purposes.

Recoverability of asset carrying values

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a cash generating unit or of an individual asset is determined as its FVLCD. The key estimates in management's determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes. As at March 31, 2023, the Company recognized a \$21.0 million impairment of E&E and \$7.6 million impairment of PP&E due to the assets being reviewed under the Spin-Out before reclassification to assets held for sale or distribution. Details of the specific estimates and assumptions applied in the impairment analysis are provided in the Interim Financial Statements, note 8 and note 9, respectively.

CONTROL ENVIRONMENT

Spartan is required to comply with National Instrument 52-109 ("**NI 52-109**") *Certification of Disclosure in Issuers' Annual and Interim Filings*. NI 52-109 for the interim period ended March 31, 2023 requires that Spartan disclose in its interim MD&A any material weaknesses or changes in Spartan's Internal Controls over Financial Reporting ("**ICFR**") and Disclosure Controls and Procedures ("**DC&P**") that occurred during the period that have materially affected, or are reasonably likely to materially affect, Spartan's ICFR and DC&P. Spartan confirms that no material weaknesses were identified or such changes were made to its ICFR and DC&P during the three months ended March 31, 2023.

RISKS AND UNCERTAINTIES

The business of exploring for, developing and producing crude oil and natural gas reserves is inherently risky. The Company is subject to both risks that directly affect Spartan's business and operations, as well as indirect risks that impact third parties or industry generally. The following information is a summary only of certain risk factors relating to the Company and should be read in conjunction with the Company's 2022 AIF which can be found at www.sedar.com. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this MD&A and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

MARKET RISKS

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

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

a) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar. A strengthening in the Canadian dollar against the U.S. dollar could negatively impact the commodity prices realized by Spartan, even with no change in the underlying commodity U.S. benchmark.

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

Details of outstanding commodity risk management contracts are provided under the heading “Commodity Price Risk Management” in this MD&A and in note 4 to the Interim Financial Statements. The fair values of these contracts are highly sensitive to changes in forecast crude oil and natural gas prices.

The following table illustrates the stand-alone impact of changes in specified benchmark prices and differentials on net income before income taxes, holding all other variables constant, of risk management contracts in place as at March 31, 2023:

<i>(CA\$ thousands)</i>	Change in price / differential	Positive movement	Negative movement
NYMEX Henry Hub (“HH”)	+/- US\$ 0.25 per mmbtu	(7,905)	7,905
NYMEX HH-AECO 7A Basis ⁽¹⁾	+/- US\$ 0.10 per mmbtu	(3,162)	3,162
AECO 7A	+/- CA\$ 0.25 per GJ	(2,943)	2,943
US\$/CA\$ exchange rate	+/- \$ 0.05	(4,050)	4,050

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

b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its long-term debt which bears floating rates of interest. Under the Credit Facility, interest rates fluctuate based on the bank prime rate plus an applicable margin, which currently varies based on the Company’s net debt to cash flow ratio each quarter. Under the Term Facility interest fluctuates based on the bank prime rate, however the spread is fixed at 5.25%. Subsequent to period end, the Term Facility interest rate was fixed at the current bank prime rate of 6.7% plus the fixed spread of 5.25%, for a fixed rate interest rate of 11.95% until the Term Facility matures in December 2023.

The global economic recovery and inflationary environment has resulted in rising interest rates. For the first time since 2018, the Bank of Canada raised its benchmark interest rate by 25 basis points on March 2, 2022. Over the course of 2022 the benchmark interest rate was increased by an additional 375 basis points, for a total increase of 400 basis points during the year ended December 31, 2022. In January 2023, the benchmark interest rate was yet again increased by 25 basis points, with the potential for further interest rate increases over the next twelve months. The Company may use derivative financial instruments to manage interest rate risk, however there were no such contracts in place as at or during the period ended March 31, 2023.

Based on \$150.0 million of current debt outstanding on the Term Facility at March 31, 2023, an increase in the market rate of interest by 50 basis points would increase annualized interest expense by approximately \$0.8 million. The Company utilized Free Funds Flow to repay its bank debt, partially mitigating the risk of further interest rate increases.

c) *Currency Risk*

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's crude oil and natural gas sales are conducted in Canada and the majority of Spartan's revenue is received in Canadian dollars. A portion of the Company's crude oil is marketed in U.S. dollars, however U.S. dollar revenues represented less than 10% of Spartan's oil and gas sales during the first quarter of 2023. Spartan is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. In addition, the Company's commodity price risk management contracts settle in U.S. dollars.

The US\$/CA\$ exchange rate closed at 1.353 on March 31, 2023, consistent with 1.353 on December 31, 2022 and up from 1.248 on March 31, 2022. Although the US\$/CA\$ exchange rate is typically negatively correlated to the movement in WTI crude oil prices, during the quarter ended March 31, 2023 the Canadian dollar remained consistent relative to the U.S. dollar despite WTI decreasing by 4% since year-end. A weaker Canadian dollar has a positive impact on the Canadian dollar equivalent price Spartan receives, which compounds the impact on the Company's revenue due to higher benchmark oil prices. Should the Canadian dollar strengthen against the U.S. dollar, the impact of higher benchmark oil prices could be diminished, or alternatively a stronger Canadian dollar could heighten the impact of weakening benchmark oil prices.

Spartan may enter into foreign exchange risk management contracts from time-to-time to manage currency risk on the Company's U.S. dollar denominated cash flows. As at March 31, 2023, Spartan had contracted to fix the U.S. dollar exchange rate at \$1.34 on a notional US\$9.0 million per month from April 1 to December 31, 2023. The fair value of the foreign exchange contract resulted in a current derivative financial instrument liability of \$0.7 million at March 31, 2023 (December 31, 2022 - \$0.8 million).

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets include cash and cash equivalents, accounts receivable, deposits and derivative financial instrument assets. Cash and cash equivalents are held on deposit with a Canadian chartered bank. The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners. The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. As at March 31, 2023, Spartan's expected credit loss provision is \$1.8 million (\$1.6 million at December 31, 2022).

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations. As at March 31, 2023, Spartan's financial liabilities include accounts payable, derivative financial instrument liabilities, dividends payable, share-based compensation liability, current and long-term debt and lease liabilities. A contractual maturity analysis is provided in the "Capital Resources and Liquidity" section of this MD&A. The Company has sufficient liquidity for the next 12 months as current cash balances, future cash flow from operations and access to the undrawn amended Credit Facility is expected to be sufficient to fund the Term Facility repayment and meet the Company's financial obligations.

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

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

Forward-Looking Information May Prove Inaccurate

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

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

ABBREVIATIONS

A&D	acquisitions and dispositions
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System, the Canadian benchmark price for natural gas
AIF	refers to the Company's 2022 Annual Information Form dated March 31, 2023
API	American Petroleum Institute gravity
bbbl	barrel
bbbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
CA\$	Canadian dollar
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
DCET	capital expenditures incurred to drill, complete, equip and tie-in a well
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
G&A	general and administrative expenses
G&G	geological and geophysical expenses
GAAP	refers to Canadian Generally Accepted Accounting Principles, which incorporate International Financial Reporting Standards (" IFRS ") for public companies
GJ	gigajoule
ICFR	internal controls over financial reporting
LCA	Licensee Capability Assessment
LMR	Liability Management Rating of the Alberta Energy Regulator
mbbls	one thousand barrels
mBOE	one thousand barrels of oil equivalent
mcf or MCF	one thousand cubic feet
mcf/d	one thousand cubic feet per day
MM	millions of dollars
mmbtu	one million British thermal units
mmcf	one million cubic feet
mmcf/d	one million cubic feet per day
nm	"not meaningful", generally with reference to a percentage change
NCLs	non-capital losses
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
Q1 2023	first quarter of 2023
Q1 2022	first quarter of 2022
Q2 2022	second quarter of 2022
Q3 2022	third quarter of 2022
Q4 2022	fourth quarter of 2022
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;
- Expectations and assumptions concerning the completion of the Spin-Out and Distribution;
- Spartan's 2023 outlook, including anticipated production levels and capital expenditure budget for 2023;
- Spartan's intentions with respect to the future return of capital, including the potential combination of share repurchases, base dividend payments and/or special dividend payments;
- Spartan's intention to maintain a flexible capital structure;
- The Company's intention to pay an additional special cash dividend of \$0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023.
- Spartan's intentions to maintain a strong balance sheet to allow the Company to take advantage of opportunities;
- Spartan's objective to maintain an industry leading Liability Management Rating;
- capital resources and liquidity, including Spartan's expectations regarding sources of funding for future development capital expenditures;
- estimates used to calculate the fair value of net assets acquired through business combinations, decommissioning obligations, and depletion and impairment of PP&E;
- expectations regarding the Bellatrix Corporate Acquisition, including the amount of available tax pools and the anticipated impact to Spartan's tax horizon;
- expectations of generating future taxable profits in order to realize deferred tax assets by utilizing available tax pools in the future, as well as the estimated amount of available tax pools;
- expectations regarding Spartan's position to withstand future commodity price volatility;
- the expectation that interest rates and borrowing costs will continue to increase over the next twelve months;
- the estimated amount of decommissioning costs expected to be recovered through funding under the Alberta government's Site Rehabilitation Program;
- commitments and contingencies; and
- expectations for forecast commodity prices in 2023 and beyond.

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

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

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

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

- the failure to achieve requisite shareholder consent to execute on planned reduction of stated capital resulting from the Asset Sale and Spin-Out;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the material uncertainties and risks described under the heading "Risks and Uncertainties" in this MD&A and in the Company's AIF;
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- incorrect assessments of the value of benefits to be obtained from the Company's exploration and development programs;
- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating crude oil and natural gas reserves and the ability of the Company to realize value from its properties;
- geological, technical, drilling and processing problems;
- facility and pipeline capacity constraints and access to processing facilities and to markets for production;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- fluctuations in the costs of borrowing;
- marketing and transportation;
- prevailing weather and break-up conditions;
- environmental risks;
- competition for, among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel;
- net production and transportation costs and future development costs;
- the ability to access sufficient capital from internal and external sources;
- ability to obtain regulatory approvals;
- changes in tax, royalty and environmental legislation; and
- litigation or regulatory proceedings that may be brought against the Company.

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

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