SPARTAN DELTA CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

AS AT AND FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2021 AND 2020

FINANCIAL AND OPERATING HIGHLIGHTS

(CA$ thousands, unless otherwise indicated)	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
OPERATING				
Average daily production (BOE/d)				
Crude oil (bbls/d)	**1,969**	106	**1,290**	66
Condensate (bbls/d) (1)	**1,989**	367	**1,666**	184
NGLs (bbls/d) (1)	**7,627**	2,243	**7,372**	1,130
Natural gas (mcf/d)	**168,319**	37,140	**152,819**	19,194
BOE/d	**39,638**	8,906	**35,798**	4,579
Average realized prices, before financial instruments				
Crude oil ($/bbl)	**71.98**	45.08	**70.72**	44.69
Condensate ($/bbl) (1)	**79.00**	45.70	**76.21**	45.70
NGLs ($/bbl) (1)	**30.21**	15.02	**29.33**	15.22
Natural gas ($/mcf)	**3.15**	1.94	**3.15**	1.94
Combined average ($/BOE)	**26.71**	14.31	**25.56**	14.36
Operating and Corporate Netbacks ($/BOE) (2)				
Oil and gas sales, before financial instruments	**26.71**	14.31	**25.56**	14.36
Realized gain (loss) on financial instruments	**(0.54)**	0.17	**(0.76)**	0.16
Oil and gas sales, after financial instruments	**26.17**	14.48	**24.80**	14.52
Processing and other revenue	**0.80**	0.69	**0.72**	0.72
Royalties	**(2.90)**	(0.93)	**(2.96)**	(0.91)
Operating expenses	**(5.56)**	(6.96)	**(5.34)**	(7.38)
Transportation expenses	**(1.62)**	(1.38)	**(1.49)**	(1.34)
Operating Netback (2)	**16.89**	5.90	**15.73**	5.61
General and administrative expenses	**(1.33)**	(1.48)	**(1.28)**	(2.47)
Interest expense, net of interest income	**(0.01)**	(0.23)	**(0.06)**	(0.13)
Corporate Netback (2)	**15.55**	4.19	**14.39**	3.01
FINANCIAL				
Oil and gas sales	**96,356**	11,596	**165,639**	11,969
Cash provided by (used in) operating activities	**48,028**	(6,033)	**80,135**	(6,579)
Adjusted Funds from Operations (2)	**56,083**	3,395	**93,238**	2,515
$ per share, basic	**0.49**	0.09	**1.02**	0.08
$ per share, diluted	**0.41**	0.07	**0.85**	0.06
Net income and comprehensive income	**19,664**	47,406	**78,828**	42,586
$ per share, basic	**0.17**	1.29	**0.86**	1.36
$ per share, diluted	**0.15**	1.01	**0.75**	1.01
Capital expenditures, before A&D	**9,402**	1,187	**28,684**	1,563
Acquisitions, net of dispositions (3)	**10,306**	108,782	**30,310**	108,782
Total assets	**729,966**	339,064	**729,966**	339,064
Net Debt (Surplus) (2)	**(131,696)**	26,177	**(131,696)**	26,177
Convertible promissory note	**39,309**	-	**39,309**	-
Shareholders' equity	**437,730**	130,995	**437,730**	130,995
Common shares outstanding (000s) (4)				
Weighted average, basic	**114,129**	36,655	**91,337**	31,380
Weighted average, diluted – for EPS	**127,965**	47,113	**104,627**	42,183
Weighted average, diluted – for AFFO (2)(4)	**136,240**	47,113	**110,216**	42,183
End of period	**114,476**	58,106	**114,476**	58,106

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

INTRODUCTION

Spartan Delta Corp. ("Spartan" or the "Company") was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of petroleum and natural gas properties in western Canada. As of the date hereof, the Company does not have any material subsidiaries. Common shares of Spartan are currently listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "SDE" (see "Subsequent Events" regarding pending graduation to the TSX). The Company's head office is located at 500, 207 – 9th Avenue S.W., Calgary, Alberta T2P 1K3. The registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

On December 19, 2019, the Company was recapitalized and appointed a new management team and new board of directors. Spartan closed its first transformational acquisition on June 1, 2020 for total consideration of $108.8 million (the "BXE Asset Acquisition") which repositioned the Company from a junior producer of approximately 250 BOE per day to an intermediate energy company with a growth strategy focused on the acquisition and sustainable development of underexploited and undercapitalized assets. Production from the acquired assets was approximately 25,000 BOE per day at the time of the acquisition and is concentrated in the Deep Basin of west central Alberta. In addition to working interest ownership in strategic infrastructure, the acquisition also included a large land base with an extensive inventory of drilling locations, targeting liquids-rich natural gas and light oil in the Spirit River and Cardium formations. For the comparative three and six month periods ended June 30, 2020, Spartan's net income and cash flows only include results of operations related to the acquired assets for the 30 day period from closing the BXE Asset Acquisition on June 1, 2020.

During the first six months of 2021, Spartan continued to execute on its acquisitive growth strategy and closed a series of strategic acquisitions for estimated total consideration of $163.0 million, plus $4.0 million of assumed net debt. The "Acquisitions", which collectively refer to the Inception Acquisition, Simonette Acquisition, Willesden Green Acquisition, Gold Creek Property Acquisitions, Canoe Acquisition and the January 2021 Acquisition (all of which are defined and described under the heading "Capital Expenditures"), added a second core development area in the Alberta Montney fairway. Spartan also raised $124.0 million of gross proceeds from equity financings at an average issue price of $4.35 per share (the "March 2021 Financings").

Subsequent to the quarter, on July 28, 2021, Spartan announced that the Company reached a definitive agreement to acquire Velvet Energy Ltd. ("Velvet"), a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr, and Pouce Coupe areas of northwest Alberta, for total consideration estimated to be approximately $743.3 million including net debt (the "Velvet Acquisition"). The Velvet Acquisition will represent a significant milestone in the Company's Montney consolidation strategy, positioning Spartan as the largest producer and acreage holder in the oil window of Canada's Montney fairway. Concurrent with the Velvet Acquisition, Spartan also announced a $150.0 million bought deal equity financing at a subscription price of $5.05 per common share (the "August 2021 Financing"), a five year $150.0 million senior secured term facility (the "Term Facility"), and commitments from a syndicate of lenders to establish a new senior secured revolving credit facility with a borrowing base of $450.0 million (the "New Credit Facility"). The August 2021 Financing, Term Facility and New Credit Facility are collectively referred to as the "New Financings". Refer to additional information under the headings of "Subsequent Events" and "Outlook and Guidance" of this MD&A.

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of August 11, 2021, in accordance with the requirements of National Instrument 51-102 – *Continuous Disclosure Requirements* ("NI 51-102"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2021 (the "Interim Financial Statements"), and its audited consolidated annual financial statements and MD&A for the year ended December 31, 2020 (the "2020 Financial Statements"). The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company and is not a substitute for detailed investigation or analysis on any particular issue. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities, including Spartan's Annual Information Form for the year ended December 31, 2020 (the "AIF"), can be found on SEDAR at www.sedar.com and the Company's website at www.spartandeltacorp.com.

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

NON-GAAP MEASURES

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

Funds from Operations and Adjusted Funds from Operations

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

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, except share amounts)	**2021**	2020	**2021**	2020
Cash provided by (used in) operating activities	**48,028**	(6,033)	**80,135**	(6,579)
Change in non-cash operating working capital	**7,323**	7,121	**11,545**	6,160
Funds from Operations	**55,351**	1,088	**91,680**	(419)
Transaction costs	**161**	2,244	**849**	2,244
Settlement of decommissioning obligations	**578**	63	**1,249**	690
Other income	**(7)**	-	**(540)**	-
Adjusted Funds from Operations	**56,083**	3,395	**93,238**	2,515
WA common shares outstanding (000s) – basic	**114,129**	36,655	**91,337**	31,380
WA common shares outstanding (000s) – diluted AFFO	**136,240**	47,113	**110,216**	42,183
Adjusted Funds from Operations per share				
Basic ($ per common share)	**0.49**	0.09	**1.02**	0.08
Diluted ($ per common share)	**0.41**	0.07	**0.85**	0.06

Adjusted Funds from Operations ("AFFO") per share is calculated using the same methodology as net income per share ("EPS"), however the diluted weighted average common shares outstanding for AFFO may differ from the diluted weighted average determined in accordance with IFRS for purposes of calculating EPS. In particular, the convertible promissory note is always dilutive to AFFO per share but may be antidilutive to EPS because of the non-cash change in fair value recognized through net income. Similarly, the dilutive impact of stock options and share awards is more dilutive to AFFO 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. Refer to additional information under the heading “Share Capital”.

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

Operating Income, Operating Netback and Corporate Netback

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

The Company refers to Operating Income expressed per unit of production as an “Operating Netback”. Similarly, Spartan’s “Corporate Netback” is equal to Adjusted Funds from Operations expressed per unit of production.

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Oil and gas sales, net of royalties	**85,905**	10,843	**146,471**	11,215
Processing and other revenue	**2,878**	558	**4,668**	603
Realized (loss) gain on financial instruments	**(1,947)**	136	**(4,910)**	136
Operating expenses	**(20,075)**	(5,637)	**(34,609)**	(6,152)
Transportation expenses	**(5,829)**	(1,121)	**(9,684)**	(1,121)
Operating Income	**60,932**	4,779	**101,936**	4,681
General and administrative expenses	**(4,800)**	(1,197)	**(8,293)**	(2,058)
Interest expense, net of interest income	**(49)**	(187)	**(405)**	(108)
Adjusted Funds from Operations	**56,083**	3,395	**93,238**	2,515
Production (BOE)	**3,607,112**	810,407	**6,479,382**	833,224
Operating Netback ($ per BOE)	**16.89**	5.90	**15.73**	5.61
Corporate Netback ($ per BOE)	**15.55**	4.19	**14.39**	3.01

Net Debt (Surplus)

Throughout this MD&A, references to “Net Debt (Surplus)” includes bank debt, net of Adjusted Working Capital. “Adjusted Working Capital” is calculated as current assets less current liabilities, excluding derivative financial instrument assets and liabilities, lease liabilities, and the deferred premium on flow through shares. As at June 30, 2021 and December 31, 2020, the Adjusted Working Capital deficit (surplus) includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities and the current portion of decommissioning obligations (see also, “Capital Resources and Liquidity”). Spartan uses “Net Debt (Surplus)” as a measure of the Company’s financial position and liquidity, however it is not intended to be viewed as an alternative to other measures calculated in accordance with IFRS.

(CA$ thousands)	**June 30, 2021**	December 31, 2020
Bank debt	**-**	-
Adjusted Working Capital deficit (surplus)	**(131,696)**	12,292
Net Debt (Surplus)	**(131,696)**	12,292

On March 18, 2021, Spartan issued a convertible unsecured non-interest bearing promissory note with a principal amount $50.0 million (the “Convertible Note”). The Convertible Note is classified as a financial liability measured at fair value through profit or loss (“FVTPL”) in accordance with IFRS. As at June 30, 2021, the fair value and carrying amount of the Convertible Note is approximately $39.3 million. Additional information regarding the terms of the Convertible

Note and valuation are provided under the heading "Capital Resources and Liquidity". The Company does not include the Convertible Note in its non-GAAP definition of Net Debt (Surplus) because Spartan, in its sole discretion, may settle the obligation by issuing common shares instead of cash. The maximum number of common shares potentially issuable on conversion of the Convertible Note is considered in the calculation of the diluted weighted average common shares outstanding. For both the three and six month periods ended June 30, 2021, the Convertible Note was antidilutive to net income per share and was dilutive to Adjusted Funds from Operations per share (see also, "Share Capital").

Net Debt to Trailing Adjusted Funds Flow

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

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2021**	2020	**2021**	2020
Funds from Operations	**55,351**	1,088	**91,680**	(419)
Transaction costs	**161**	2,244	**849**	2,244
Lease payments	**(2,555)**	(485)	**(4,955)**	(485)
Adjusted Funds Flow (1)	**52,957**	2,847	**87,574**	1,340
Trailing Adjusted Funds Flow	**211,828**			
Net Debt (Surplus)	**(131,696)**			
Net Debt to Trailing Adjusted Funds Flow	**nm**			

(1) Adjusted Funds Flow may also be calculated by deducting lease payments and settlements of decommissioning obligations from Adjusted Funds from Operations. In addition, Spartan sold emissions credits for cash proceeds of $0.5 million during the first quarter of 2021 which are included in Adjusted Funds Flow for the six months ended June 30, 2021.

As at June 30, 2021, Spartan has a Net Surplus of $131.7 million therefore the Net Debt to Trailing Adjusted Funds Flow ratio is not meaningful as of the current reporting period.

Free Funds Flow

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2021**	2020	**2021**	2020
Adjusted Funds Flow	**52,957**	2,847	**87,574**	1,340
Capital expenditures, before A&D (1)	**(9,402)**	(1,187)	**(28,684)**	(1,563)
Free Funds Flow	**43,555**	1,660	**58,890**	(223)

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

OTHER MEASUREMENTS

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

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

OUTLOOK AND GUIDANCE

On July 28, 2021, Spartan announced an agreement to acquire Velvet for total consideration of approximately $743.3 million. Velvet is a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr and Pouce Coupe areas of northwest Alberta. The Velvet Acquisition further consolidates and will add material scale to the Company's Montney focused core development area in northwest Alberta, positioning Spartan as the largest producer and acreage holder in the oil window of the Montney fairway. Total consideration is comprised of $355.9 million of cash, the issuance of approximately 3.0 million common shares and the assumption of Velvet's net debt estimated to be $371.7 million. The Velvet Acquisition will be funded by a combination of cash on hand and the New Financings, which include a $150.0 million bought deal equity financing, a five-year $150.0 million Term Facility, and the New Credit Facility with a borrowing base of $450.0 million which will become available concurrent with closing of the Velvet Acquisition. Details of the Velvet Acquisition and the New Financings are provided under the heading "Subsequent Events" in this MD&A.

As part of the Company's press release dated July 28, 2021, Spartan also provided revised guidance for 2021 and preliminary guidance for 2022 (the "Post-Acquisition Guidance"). The Post-Acquisition Guidance, which is reproduced on the following page, reflects Spartan's preliminary operating and financial forecast after giving effect to the Velvet Acquisition and the New Financings, assuming an August 31, 2021 closing date. Production from the Velvet assets is expected to be approximately 20,600 BOE per day at close, consisting of 8,600 bbl/d of oil (42%), 3,000 bbl/d of NGLs (14%) and 54.0 MMcf/d of natural gas (44%). The forecasted financial guidance is based on the midpoint of calendar year average production guidance of 44,000 BOE per day for 2021 and 68,500 BOE per day for 2022.

Commodity prices have improved significantly compared to the forecast prices used in Spartan's previous guidance published in the MD&A dated March 11, 2021 (the "March 2021 Guidance"). The Company's revised guidance for 2021 is based on calendar year average forecasts of US$66.45 per barrel for WTI crude oil and $3.45 per GJ for AECO natural gas, reflecting increases of 21% and 25% for WTI and AECO, respectively, compared to the average price forecasts used in Spartan's March 2021 Guidance. The Company's preliminary guidance for 2022 is based on US$65.24 per barrel for WTI crude oil and $3.22 per GJ for AECO natural gas.

Spartan's 2021 capital expenditures, before A&D, are budgeted to be approximately $175.0 million (previously $101.0 million), of which the Company spent $28.7 million during the first six months of 2021. The Company expects to spend approximately 40% of its 2021 budget in the Deep Basin and 60% in the Montney. The capital budget will be focused on delivering Free Funds Flow while advancing certain selected high impact growth projects. The current capital expenditure budget results in a payout ratio of approximately 70%, being the ratio of capital expenditures (before A&D) relative to forecasted Adjusted Funds Flow. For 2022, the Company's preliminary capital expenditure budget is $300.0 million. Spartan expects to spend 75-80% of the 2022 budget in the Montney, with locations planned for each of its core properties in northwest Alberta including Gold Creek, Karr, Simonette and Pouce Coupe. The remaining budget for 2022 will be allocated to the Deep Basin assets in west central Alberta.

Based on forecasted commodity prices and other key assumptions outlined in the tables and footnotes below, Spartan expects to generate Adjusted Funds Flow of approximately $249.0 million in 2021 (previously $139.0 million) and is forecasting year-end Net Debt of $446.0 million at December 31, 2021 (previously a Net Surplus of $115.0 million). For 2022, Spartan is forecasting Adjusted Funds Flow of approximately $444.0 million on a preliminary capital expenditure budget of $300.0 million. Free Funds Flow of $144.0 million forecast for 2022 is expected to be used to reduce Net Debt to approximately $302.0 million at December 31, 2022. Spartan's forecasted 2022 year-end Net Debt is estimated to be 0.7 times its Adjusted Funds Flow forecast for 2022.

The Company's Post-Acquisition Guidance for Operating Netbacks and Adjusted Funds Flow is after deducting projected losses on commodity price risk management contracts. Velvet had an extensive hedging program in place and due to the significant increase in forecast prices for crude oil and natural gas, the majority of the contracts are now out-of-the money. Based on the current forecast using strip pricing as of July 26, 2021, the hedging losses on Velvet's contracts are projected to be approximately $37.8 million for the four months ended December 31, 2021, and approximately $47.0 million for the year ended December 31, 2022. The remaining risk management contracts for crude oil expire in June 2022. By 2023, the projected liability on the remaining natural gas price contracts drops to $16.4 million. The Post-Acquisition Guidance also incorporates Spartan's hedging contracts, the fair value of which resulted in a derivative financial instrument liability of $13.9 million as at June 30, 2021 (additional information is provided under "Risks and Uncertainties – Commodity Price Risk").

The following table summarizes Spartan's preliminary Post-Acquisition Guidance for 2021 and 2022, compared to the Company's March 2021 Guidance:

	March 2021 Guidance	**2021[1] Post-Acquisition**	**2022 Post-Acquisition**
Average Production (BOE/d) [2]	35,500 – 37,500	**43,000 – 45,000**	**66,000 – 71,000**
% Oil and NGLs	31%	**34%**	**42%**
Forecast Average Commodity Prices [3]			
WTI oil price (US$/bbl)	55.00	**66.45**	**65.24**
Edmonton condensate ($/bbl)	67.93	**83.41**	**80.54**
Edmonton oil ($/bbl)	63.88	**77.90**	**76.48**
Conway propane (US$/gal)	0.71	**0.99**	**0.89**
AECO 5A natural gas price ($/GJ)	2.75	**3.45**	**3.22**
Average exchange rate (CA$/US$)	1.26	**1.25**	**1.25**
Operating Netback ($/BOE) [1][2][3][4][5]	12.74	**18.19**	**20.62**
Adjusted Funds Flow ($MM) [1][2][3][5]	139	**249**	**444**
Capital expenditures, before A&D ($MM) [6]	101	**175**	**300**
Free Funds Flow ($MM) [5]	38	**74**	**144**
Net Debt (Surplus), end of year ($MM) [5][7]	(115)	**446**	**302**
Common shares outstanding, end of year (MM) [8]	114	**147**	**147**

(1) Includes the Velvet assets for four months following the anticipated closing of the Velvet Acquisition on August 31, 2021.

(2) Production guidance following the completion of the Velvet Acquisition shown under "2021 Post-Acquisition" and "2022 Post-Acquisition" consists of approximately 10% oil, 4% condensate, 20% NGLs and 66% natural gas for 2021, and 21% oil, 2% condensate, 19% NGLs and 58% natural gas for 2022. March 2021 Guidance consisted of approximately 4% crude oil, 4% condensate, 23% NGLs and 69% natural gas. The forecasted financial guidance is based on the midpoint of production guidance of 44,000 BOE per day and 68,500 BOE per day, respectively, for 2021 and 2022.

(3) The commodity price assumptions used in the Post-Acquisition Guidance are based on actual commodity prices for the first six months of 2021 and strip pricing (as of July 26, 2021) thereafter.

(4) The forecasted Operating Netbacks used in the Post-Acquisition Guidance are based on assumptions outlined in the tables below.

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

(6) The forecast of capital expenditures excludes acquisitions and dispositions.

(7) The Post-Acquisition forecast of Net Debt includes the cash portion of the purchase price for the Velvet Acquisition of $355.9 million and the assumption of Velvet's net debt estimated to be approximately $371.7 million on the closing date.

(8) The forecasted basic number of common shares outstanding includes 114.5 million common shares outstanding as of the date hereof, approximately 3.0 million common shares to be issued in consideration for the Velvet Acquisition, and approximately 29.7 million common shares to be issued in connection with the August 2021 Financing. The estimate assumes that the Overallotment Option (defined herein) in respect of the August 2021 Financing is not exercised. The forecast does not include common shares potentially issuable in respect of dilutive securities (see "Share Capital" and "Subsequent Events" for additional information).

The stand-alone Operating Netback assumptions used for the Velvet assets are as follows:

Assumptions for the Velvet assets ($/BOE)	2021 (4 months)[1]	2022
Oil and gas sales	51.28	47.32
Royalties	(3.54)	(3.07)
Operating expenses	(10.48)	(9.95)
Transportation expenses	(4.65)	(3.76)
Operating Netback, before financial instruments	**32.61**	**30.54**
Loss on commodity price derivative financial instruments	(15.12)	(5.42)
Operating Netback, after financial instruments	**17.49**	**25.12**

(1) The forecasted Operating Netback for the Velvet assets is based on the following assumptions for the four-month period from September 1 to December 31, 2021: US$69.91/bbl WTI; $4.15/GJ AECO; $89.77/bbl Edmonton condensate; $82.32/bbl Edmonton oil; US$1.11/Gal Conway; and an exchange of CA$/US$1.25.

The components of the forecasted Post-Acquisition Operating Netback are summarized in the following table and are based on estimated cash flows only. More specifically, Company has not yet contemplated potential changes in presentation of certain transportation and operating costs related to the Velvet assets that may occur when the contracts are evaluated under IFRS, upon closing the Velvet Acquisition:

Assumptions ($/BOE)	2021 Post-Acquisition	2022 Post-Acquisition
Oil and gas sales	33.60	35.80
Royalties	(3.49)	(3.29)
Operating expenses	(6.41)	(7.28)
Transportation expenses	(2.05)	(2.50)
Operating Netback, before financial instruments	**21.65**	**22.73**
Loss on commodity price derivative financial instruments	(3.46)	(2.11)
Operating Netback, after financial instruments	**18.19**	**20.62**

Changes in forecast commodity prices, differences in the timing of capital expenditures, and variances in average production estimates can have a significant impact on the key performance measures included in the guidance for 2021 and 2022. The Company's actual results may differ materially from these estimates. Holding all other assumptions constant for 2021: if the calendar year average forecast for AECO natural gas increased (decreased) by $0.25/GJ, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $12 million; or, if the calendar year average price forecast for WTI crude oil increased (decreased) by US$5.00/bbl, the Adjusted Funds Flow forecast for 2021 would increase (decrease) by approximately $16 million. Holding all other assumptions constant for 2022: if the forecast for AECO natural gas increased (decreased) by $0.25/GJ, the Adjusted Funds Flow forecast for 2022 would increase (decrease) by approximately $16 million; or, if the forecast price for WTI crude oil increased (decreased) by US$5.00/bbl, the Adjusted Funds Flow forecast for 2022 would increase (decrease) by approximately $39 million. Assuming capital expenditures are unchanged, the impact on Free Funds Flow and resulting Net Debt (Surplus) would be equivalent to the increase or decrease in Adjusted Funds Flow.

The information set-out herein is considered "financial outlook" within the meaning of the applicable securities laws. The purpose of financial outlook is to provide readers with disclosure regarding Spartan's reasonable expectations as to the results of its proposed business activities for the 2021 and 2022. Reader are cautioned that this financial outlook may not be appropriate for other purposes. See also, advisories regarding "Forward-Looking Statements".

RESULTS OF OPERATIONS

Spartan is pleased to report its financial and operating results for the second quarter of 2021. The Company achieved record quarterly average production of 39,638 BOE per day and generated Adjusted Funds from Operations of $56.1 million ($0.41 per share, diluted) during the three months ended June 30, 2021. Compared to the first quarter of 2021, production volumes are 24% higher and Adjusted Funds from Operations increased by 51%. The increase in Adjusted Funds from Operations highlights the robust economics of the Company's asset base in a rising commodity price environment, coupled with strong operational execution. In addition to successfully integrating multiple acquisitions which closed in March 2021, Spartan also completed three small but strategic tuck-in acquisitions of non-producing assets during the second quarter (see “Capital Expenditures”).

Prior to completion of the BXE Asset Acquisition on June 1, 2020, the Company did not have significant assets or operations. While comparative figures for the three and six month periods ended June 30, 2020 are provided in the tables, the discussion in this MD&A focuses on the second quarter relative to the first quarter of 2021.

SECOND QUARTER 2021 FINANCIAL AND OPERATING HIGHLIGHTS:

- Production averaged 39,638 BOE per day during the second quarter of 2021, up 24% from average production of 31,914 BOE per day in the first quarter of 2021. The increase is driven primarily by production from the Acquisitions which contributed approximately 8,070 BOE per day to average production for the second quarter. Incremental production from Spartan’s drilling program completed in the first quarter as well as production optimization projects more than offset the impact of natural declines.
- Oil and gas sales were $96.4 million for the three months ended June 30, 2021, up 39% from $69.3 million in the previous quarter ended March 31, 2021. Spartan’s combined average selling price of $26.71 per BOE ($26.17 per BOE after financial instruments) increased by 11% from the average price of $24.12 per BOE ($23.09 per BOE after financial instruments) in the previous quarter, driven by further recovery of crude oil prices and the higher oil weighting of Spartan’s production following the Inception Acquisition. Natural gas prices continued to be strong and Spartan’s realized gas price was unchanged at $3.15 per MCF in the first and second quarters of 2021.
- During the second quarter of 2021, Spartan’s royalty rate averaged 10.8% of oil and gas sales compared to 12.6% in the first quarter of 2021. The decrease in the average royalty rate is primarily due to new production which qualifies for a 5% royalty, including a portion of the acquired assets at Gold Creek and new wells from the winter drilling program at Ferrier.
- Operating expenses averaged $5.56 per BOE for the quarter ended June 30, 2021, compared to $5.06 per BOE in the preceding quarter. The increase in per unit operating expenses reflects higher average operating costs on the recently acquired properties, partly offset by a further reduction of operating costs in the Company’s west central Alberta core area.
- Transportation expenses averaged $1.62 per BOE during the second quarter of 2021, up 21% from the previous quarter average of $1.34 per BOE. The Company entered into new NGLs marketing contracts effective April 1, 2021, which resulted in $1.3 million of fractionation and processing charges being classified within transportation expenses that were previously presented as a deduction from revenue. Spartan’s average transportation expense per unit has otherwise decreased quarter over quarter.
- Spartan’s Operating Netback increased by 18% and averaged $16.89 per BOE for the second quarter of 2021 compared to $14.28 per BOE for the first quarter of 2021. The improved operating netback reflects stronger realized prices in conjunction with lower average royalties, partly offset by higher operating and transportation expenses.
- G&A expenses averaged $1.33 per BOE during the three months ended June 30, 2021. Compared to the previous quarter average of $1.22 per BOE, net G&A expenses are higher due to lower overhead recoveries in conjunction with reduced capital expenditures through spring break up. Spartan’s gross G&A expenses (before recoveries) decreased by 10% from $1.68 per BOE in the first quarter to $1.51 per BOE in the second quarter of 2021.
- Spartan’s Adjusted Funds from Operations of $56.1 million resulted in a Corporate Netback of $15.55 per BOE for the second quarter of 2021. Adjusted Funds from Operations increased by 51% on an absolute basis from $37.2 million in the first quarter of 2021 and the Corporate Netback increased by 20% from $12.94 per BOE. The positive

impact of higher netbacks from the field was retained as lower cash interest costs offset the modest increase in per unit G&A expenses.

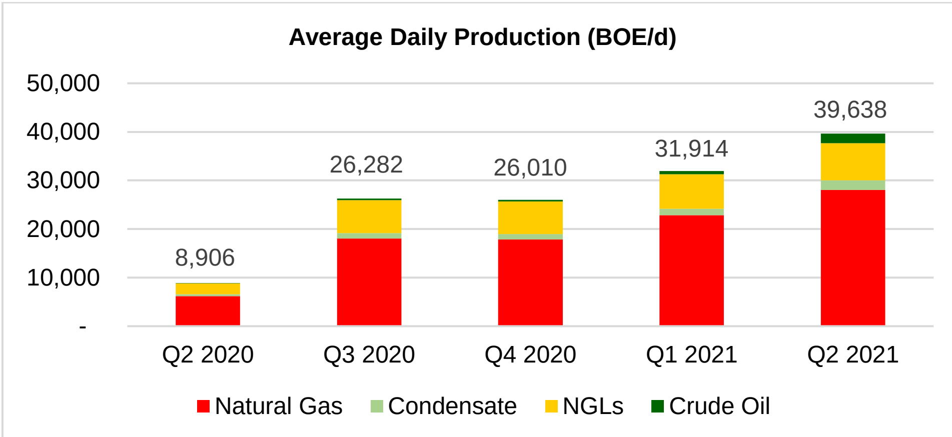
- Adjusted Funds Flow was $53.0 million after deducting $2.6 million of lease payments and $0.6 million of decommissioning expenditures from Adjusted Funds from Operations for the quarter ended June 30, 2021.
- Changes in the fair value of financial instruments had a significant impact on net income during the first half of 2021. Due to continued strength of forecast AECO natural gas prices, Spartan recorded unrealized losses on risk management contracts of $1.7 million and $9.0 million, respectively, during the first and second quarters of 2021. In addition, the fair value of the Convertible Note increased on appreciation of Spartan's share price resulting in an unrealized loss of $13.6 million during the three months ended June 30, 2021.
- Net income was $19.7 million ($0.15 per share, diluted) for the quarter ended June 30, 2021, compared to $59.2 million ($0.73 per share, diluted) in the first quarter ended March 31, 2021. Over the respective quarters, Spartan's income before derivatives, other items and taxes increased to $36.5 million from $28.9 million. The variance in net income quarter over quarter is primarily due a gain of $35.1 million on the Inception Acquisition during the first quarter and changes in the fair value of financial instruments which are not taxable and are partly offset by a corresponding deferred income tax recovery.
- Capital expenditures before A&D were $9.4 million for the three months ended June 30, 2021, of which the Company spent $5.7 million on drilling operations, $1.6 million on facilities and equipment, $1.0 million on production optimization, $1.0 million on land and seismic, and $0.1 million on corporate assets. In late June, Spartan kicked off its drilling program for the second half of 2021 and commenced drilling of a two-well pad at Brazeau as well as a four-well pad at Gold Creek.
- Spartan completed tuck-in acquisitions in its core areas during the second quarter of 2021 for total consideration of $11.6 million in aggregate, comprised of $10.1 million of cash and the issuance of 0.3 million common shares valued at $1.5 million. The acquisitions primarily include undeveloped acreage in Spartan's new Montney focused core areas in northwest Alberta, as well as approximately 300 BOE per day of production behind pipe which has since been reactivated subsequent to June 30, 2021.
- As at June 30, 2021, Spartan had no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Spartan exited the second quarter with a Net Surplus of $131.7 million as at June 30, 2021, compared to a Net Surplus of $98.3 million at March 31, 2021. Total cash capital expenditures of $19.7 million (including A&D) were fully funded by cash provided by operating activities during the second quarter of 2021. The Company is well positioned to continue executing on its growth strategy.
- Refer to "Subsequent Events" for details regarding the Velvet Acquisition and the New Financings.

PRODUCTION

	Three months ended June 30		Six months ended June 30	
Average daily production	**2021**	2020	**2021**	2020
Crude oil (bbls/d)	**1,969**	106	**1,290**	66
Condensate (bbls/d)	**1,989**	367	**1,666**	184
NGLs (bbls/d)	**7,627**	2,243	**7,372**	1,130
Natural gas (mcf/d)	**168,319**	37,140	**152,819**	19,194
Combined average (BOE/d)	**39,638**	8,906	**35,798**	4,579
% Natural gas	**71%**	70%	**71%**	70%

Production averaged of 39,638 BOE per day during the second quarter of 2021, up 24% from average production of 31,914 BOE per day in the first quarter of 2021. The increase is driven primarily by production from the Acquisitions which contributed approximately 8,070 BOE per day to average production for the second quarter compared to 1,330 BOE per day on average in the first quarter. Incremental production from Spartan's drilling program completed in the first quarter more than offset the impact of natural declines.

Production for the three and six months ended June 30, 2021 is substantially higher than the respective periods in 2020. The increase in 2021 from the comparative periods was a result of the Company having fully integrated the BXE Asset Acquisition, the new Acquisitions in 2021 as well as new production from Spartan's winter drilling program. In the comparative periods for 2020 the Company only had one month of production from the BXE Asset Acquisition.



Spartan's substantial production started on June 1, 2020 upon closing of the BXE Asset Acquisition. The increase in production during the first quarter of 2021 was driven by Spartan's winter drilling program at Ferrier, Alberta. The Inception Acquisition and Simonette Acquisition closed on March 18, 2021 and Spartan's second quarter results now include production from the acquired assets for a full quarter. In aggregate, the Acquisitions contributed approximately 8,070 BOE per day to average production for the three months ended June 30, 2021. The increase in Spartan's crude oil production reflects the higher oil weighting of the Gold Creek Montney assets acquired through Inception. Additional information regarding production from the Acquisitions is provided in the "Capital Expenditures" section of this MD&A.

REVENUE

Oil and gas sales

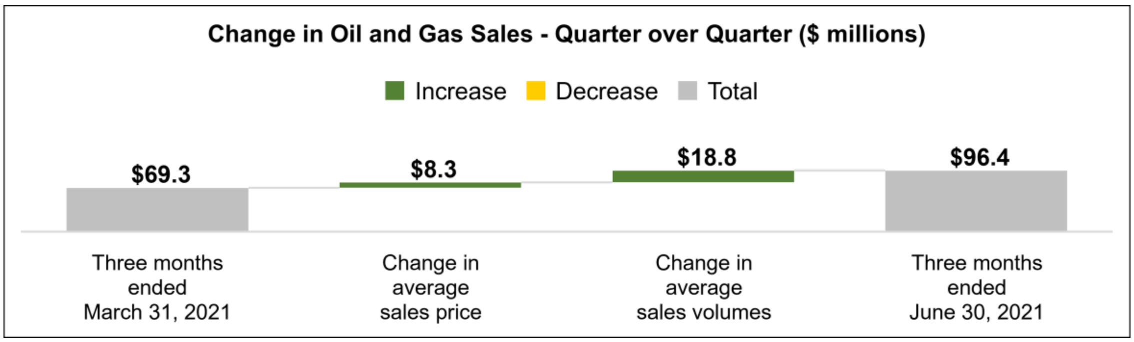
	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Oil and gas sales, before royalties				
Crude oil	**12,899**	434	**16,511**	536
Condensate	**14,298**	1,527	**22,974**	1,528
NGLs	**20,969**	3,066	**39,132**	3,129
Natural gas	**48,190**	6,569	**87,022**	6,776
Oil and gas sales, before royalties	**96,356**	11,596	**165,639**	11,969
Average realized prices				
Crude oil ($/bbl)	**71.98**	45.08	**70.72**	44.69
Condensate ($/bbl)	**79.00**	45.70	**76.21**	45.70
NGLs ($/bbl)	**30.21**	15.02	**29.33**	15.22
Natural gas ($/mcf)	**3.15**	1.94	**3.15**	1.94
Combined average ($/BOE)	**26.71**	14.31	**25.56**	14.36

Oil and gas sales for the three and six month periods ended June 30, 2021 were $96.4 million and $165.6 million, respectively, compared to $11.6 million and $12.0 million over the corresponding periods of 2020. The 2020 comparative periods only include one month of production from the core properties acquired through the BXE Asset Acquisition. Year over year, commodity prices have recovered dramatically from the second quarter of 2020 in which benchmark oil and gas prices reached historical lows in the height of the COVID-19 pandemic.

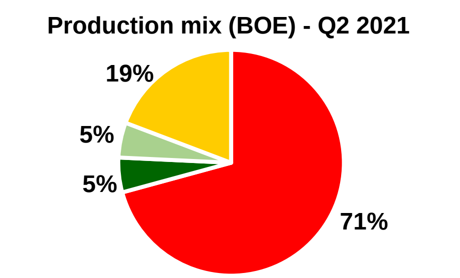
The table below outlines the change in benchmark average commodity prices and exchange rates during the periods:

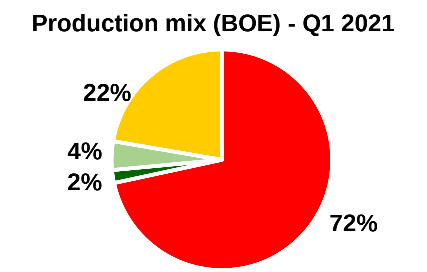
Benchmark commodity prices	Q2 2021	Q1 2021	% Change	Q2 2020
WTI Cushing Oklahoma (US$/bbl) (1)	**66.03**	57.84	14%	27.84
WTI Cushing Oklahoma (CA$/bbl) (2)	**81.04**	73.07	11%	38.41
Canadian Light Sweet 40 API ($/bbl) (1)	**76.29**	68.62	11%	31.45
NYMEX Henry Hub (US$/MMBtu) (1)	**2.97**	2.73	9%	1.76
AECO 5A ($/GJ) (3)	**2.93**	2.99	(2%)	1.89
AECO 7A ($/GJ) (4)	**2.70**	2.77	(3%)	1.81
Exchange rate (CA$/US$) (1)	**1.23**	1.26	(2%)	1.39

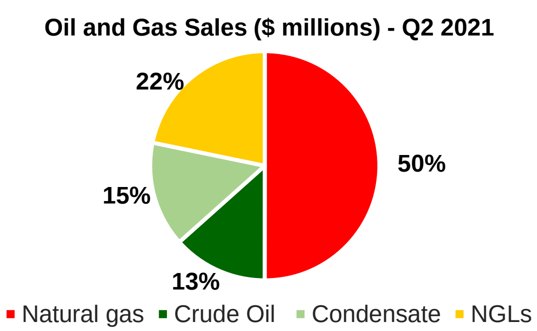
(1) Source: Sproule Associates Limited
(2) Calculated based the US$ WTI price multiplied by the average US$/CA$ exchange rate for the month
(3) Source: Canadian Gas Price Reporter (NGX AB-NIT Same Day Index 5A)
(4) Source: Canadian Gas Price Reporter (NGX AB-NIT Month Ahead Index 7A)

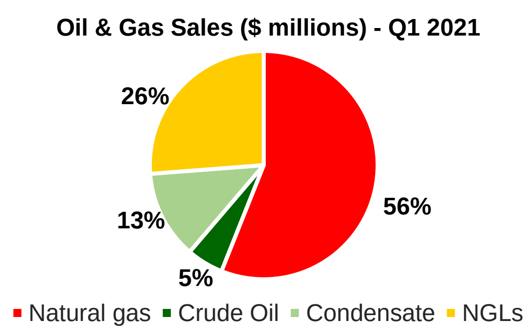


Spartan's oil and gas sales were $96.4 million for the three months ended June 30, 2021, up 39% from $69.3 million in the previous quarter ended March 31, 2021. Spartan's combined average selling price of $26.71 per BOE ($26.17 per BOE after financial instruments) increased by 11% from the average price of $24.12 per BOE ($23.09 per BOE after financial instruments) in the previous quarter, driven by further recovery of crude oil prices and the higher oil weighting of Spartan's production. Spartan's realized gas price was unchanged quarter over quarter at $3.15 per MCF.









During the quarter ended June 30, 2021, natural gas represented 71% of Spartan's production volumes and accounted for 50% of total sales revenue. The Company's natural gas is delivered and sold under AECO based contracts, with approximately 75% priced at AECO 5A and 25% at AECO 7A. Spartan's realized gas price was unchanged at $3.15 per MCF in both the first and second quarters of 2021, reflecting the 2% decrease in the AECO 5A reference price quarter over quarter, offset by slightly higher realized gas prices on the acquired properties. The Gold Creek and Simonette properties receive modestly higher gas prices due to the relative heat content resulting from a shallower liquids cut compared to the west central Alberta assets.

NGLs (excluding condensate) represent 19% of Spartan's total production volumes and contributed proportionately to 22% of total sales revenue during the second quarter of 2021. The Company reported an average NGLs sales price of $30.21 per barrel during the three months ended June 30, 2021, up 6% from $28.37 per barrel in the first quarter of 2021. The increase in average NGLs prices reflects improvement in the underlying WTI crude oil reference price, however the impact was mostly offset by lower Conway propane prices which fell by 9% compared to the first quarter of 2021. Additionally, the Company entered into new NGLs marketing contracts effective April 1, 2021, which resulted in $1.3 million of fractionation and processing charges being classified within transportation expenses that were previously presented as a deduction from revenue. In the absence of the change in presentation of certain fees under the new contracts, Spartan's average NGLs price was relatively flat quarter over quarter.

Condensate represented 5% of production volumes and contributed to 15% of total sales revenue during the second quarter of 2021. Spartan realized an average price for its condensate sales of $79.00 per barrel for the three months ended June 30, 2021, up 10% from $72.01 per barrel in the previous quarter ended March 31, 2021. The improvement in Spartan's realized price for condensate mirrors the 11% increase in the Canadian dollar equivalent WTI price over the corresponding period. The condensate blended index price has trended with an average premium of US$0.27 per barrel relative to WTI during the first half of 2021.

Spartan's crude oil production represented 5% of total volumes and 13% of total sales revenue during the second quarter of 2021, up from 2% of production and 5% of sales in the first quarter of 2021. The increase in crude oil volumes reflects production from the Inception Acquisition. The Gold Creek Montney assets acquired are more oil weighted than the Company's core land holdings in west central Alberta.

Gains and losses on derivative financial instruments

Spartan has financial swap contracts in place to fix the price of natural gas to the AECO 7A monthly index price. The contracts were established in June 2020 to satisfy certain one-time minimum hedging requirements under the Credit Facility. As at June 30, 2021, the average fixed price on the notional volumes hedged over the remaining contract terms is summarized as follows:

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

During the three months ended June 30, 2021, the Company had a notional 45,000 GJs per day hedged at an average price of $2.23 per GJ. The AECO 7A monthly index price averaged $2.70 per GJ during the second quarter resulting in a realized loss of $1.9 million.

The fair value of these contracts is marked-to-market at the end of each reporting period based on the current forecast for AECO natural gas prices. The estimated fair value of these contracts over the remaining contract term resulted in a derivative financial instrument liability of $13.9 million as of June 30, 2021, up from a liability of $4.9 million as of March 31, 2021. The unrealized loss of $9.0 million during the second quarter reflects a stronger outlook for AECO compared to the previous quarter. (See also, "Commodity Price Risk").

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Realized gain (loss)	**(1,947)**	136	**(4,910)**	136
Change in unrealized gain (loss)	**(9,002)**	2,166	**(10,741)**	2,166
Gain (loss) on derivative financial instruments	**(10,949)**	2,302	**(15,651)**	2,302
Realized gain (loss) ($ per BOE)	**(0.54)**	0.17	**(0.76)**	0.16

Royalties

During the second quarter of 2021, Spartan's royalty rate averaged 10.8% of oil and gas sales compared to 12.6% in the first quarter of 2021. The decrease in the average royalty rate is primarily due to new production which qualifies for a 5% royalty, including a portion of the acquired assets at Gold Creek and new wells from the winter drilling program at Ferrier. Royalties are reported net of gas cost allowance ("GCA") credits which do not fluctuate with natural gas of NGL prices.

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Crude oil	**792**	37	**1,056**	38
Condensate, before GCA	**3,685**	470	**6,538**	470
NGLs, before GCA	**4,543**	552	**8,971**	574
Natural gas, before GCA	**4,988**	704	**9,519**	722
Gas cost allowance ("GCA")	**(3,557)**	(1,010)	**(6,916)**	(1,050)
Total royalties	**10,451**	753	**19,168**	754
$ per BOE	**2.90**	0.93	**2.96**	0.91
Average royalty rate (% of sales)	**10.8%**	6.5%	**11.6%**	6.3%

Processing and other revenue

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Processing and other	**2,878**	558	**4,668**	603
$ per BOE	**0.80**	0.69	**0.72**	0.72

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

OPERATING EXPENSES

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Operating expenses	**20,075**	5,637	**34,609**	6,152
$ per BOE	**5.56**	6.96	**5.34**	7.38

Total operating expenses were $20.1 million ($5.56 per BOE) for the three months ended June 30, 2021, up from $14.5 million ($5.06 per BOE) in the previous quarter. Compared to the first quarter of 2021, the increase in operating expenses is driven by the 24% increase in production volumes as well as higher per unit operating costs on recently acquired properties, partly offset by a further reduction of operating costs in the Company's west central Alberta core area. Spartan has identified opportunities to improve efficiencies, optimize production and reduce operating costs on the assets acquired in the Gold Creek and Simonette areas. However average operating expenses per unit are generally expected to be higher as the Company's portfolio becomes more oil weighted.

TRANSPORTATION EXPENSES

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Transportation expenses	**5,829**	1,121	**9,684**	1,121
$ per BOE	**1.62**	1.38	**1.49**	1.34

Total transportation expenses were $5.8 million ($1.62 per BOE) for the three months ended June 30, 2021, reflecting an increase compared to total transportation expenses of $3.9 million ($1.34 per BOE) in the first quarter of 2021. The increase is attributed to higher production volumes as well as new NGLs marketing contracts which resulted in $1.3 million of fractionation and processing charges being classified within transportation expenses that were previously presented as a deduction from NGLs revenue. Spartan's average transportation expense per unit has otherwise decreased quarter over quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Salaries and benefits	**3,334**	1,219	**6,389**	1,652
Other G&A expenses	**2,130**	263	**3,757**	688
Change in expected credit loss provision	**(6)**	23	**127**	33
G&A expenses, before recoveries ("Gross G&A")	**5,458**	1,505	**10,273**	2,373
Overhead recoveries	**(658)**	(49)	**(1,980)**	(56)
Canada Emergency Wage Subsidy ("CEWS")	**-**	(259)	**-**	(259)
G&A expenses, net of recoveries ("Net G&A")	**4,800**	1,197	**8,293**	2,058
Gross G&A ($ per BOE)	**1.51**	1.86	**1.59**	2.85
Net G&A ($ per BOE)	**1.33**	1.48	**1.28**	2.47

The Company incurred Gross G&A expenses of $5.5 million before recoveries for the three months ended June 30, 2021. Compared to the first quarter of 2021, Gross G&A expenses increased by $0.6 million or 13% as Spartan hired new staff and incurred other business expenses to support the Company's growth in connection with the Acquisitions. On a per unit basis, Gross G&A expenses decreased by 10% from $1.68 per BOE in the first quarter to $1.51 per BOE in the second quarter of 2021.

G&A expenses are reported net of general capital and operating overhead recoveries, however Spartan does not capitalize direct G&A expenses. Overhead recoveries decreased by 50% from $1.3 million in the first quarter of 2021 to $0.7 million in the second quarter in conjunction with lower capital expenditures through spring break up. As a result, Net G&A expenses increased by 9% to $1.33 per BOE for the quarter ended June 30, 2021 compared to $1.22 per BOE in the previous quarter ended March 31, 2021. Year to date G&A expenses averaged $1.28 per BOE after recoveries.

SHARE BASED COMPENSATION

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Stock options	**884**	222	**1,634**	222
Share awards	**1,065**	-	**1,305**	-
Share based compensation expense	**1,949**	222	**2,939**	222
$ per BOE	**0.54**	0.27	**0.45**	0.27

Share based compensation expense for the three months ended June 30, 2021 was $1.9 million ($0.54 per BOE), up from $1.0 million ($0.34 per BOE) in the preceding quarter. As part of the Company's long-term incentive program, Spartan has a stock option plan and share award plan under which options and share awards may be granted to officers, directors, employees, and consultants. On March 11, 2021, Spartan granted 1.7 million restricted share awards ("RSAs") and 1.1 million stock options with an average exercise price of $4.08 per share. Share based compensation expense is recognized over the three-year vesting period for options and RSAs using graded amortization. Increases during the quarter are a direct result of the compensation expense for the newly issued stock options and RSAs being recognized for a full quarter.

FINANCING

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Interest and fees on bank debt	**281**	202	**638**	202
Financing cost of lease liabilities	**707**	249	**1,423**	249
Accretion of decommissioning obligations	**617**	115	**941**	146
Financing expenses	**1,605**	566	**3,002**	597
Interest income	**(232)**	(15)	**(233)**	(94)
Financing	**1,373**	551	**2,769**	503
Average bank debt outstanding during period	**-**	6,945	**839**	3,473
Interest expense, net of interest income ($ per BOE)	**0.01**	0.23	**0.06**	0.13
Financing ($ per BOE)	**0.38**	0.68	**0.43**	0.61

Total financing expenses were $1.6 million for the three months ended June 30, 2021, up from $1.4 million in the preceding quarter. The increase resulted from $0.3 million of incremental non-cash accretion of decommissioning obligations related to the Acquisitions, partly offset by lower cash interest and fees on bank debt resulting from favorable changes to the pricing grid and applicable margin under Spartan's Credit Facility. Interest and fees on bank debt of $0.3 million during the second quarter of 2021 includes standby fees on the undrawn facility and amortization of upfront fees. Financing costs related to lease liabilities were substantially unchanged quarter over quarter.

The Company raised net proceeds of $119.9 million from equity financings which closed on March 18, 2021. As at June 30, 2021, Spartan had $128.5 million of cash on hand which is held on deposit with a Canadian Chartered Bank in an interest-bearing account. Interest income was $0.2 million for the second quarter of 2021 and is presented as a reduction of financing expenses.

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Depletion and depreciation of PP&E	**16,245**	2,665	**23,664**	3,576
Depreciation of ROU Assets	**1,955**	594	**3,760**	594
Depletion and depreciation	**18,200**	3,259	**27,424**	4,170
Expired mineral leases	**20**	-	**20**	-
Impairment of PP&E	**-**	-	**-**	2,998
Total DD&I expense	**18,220**	3,259	**27,444**	7,168
Depletion and depreciation ($ per BOE)	**5.05**	4.02	**4.24**	5.00
Total DD&I expense ($ per BOE)	**5.05**	4.02	**4.24**	8.60

The Company reported depletion and depletion ("D&D") expense of $18.2 million ($5.05 per BOE) for the second quarter of 2021, compared to $9.2 million ($3.21 per BOE) in the first quarter of 2021. Changes in estimated decommissioning costs impact the carrying amount of property, plant and equipment ("PP&E") subject to depletion. Depletion expense for the second quarter includes an expense of $1.1 million due to a decrease in the current quarter discount rate which increased the present value of decommissioning obligations as at June 30, 2021 (see also, "Decommissioning Obligations"). By comparison, depletion expense for the first quarter of 2021 included a recovery of $2.5 million of decommissioning expenses related to changes in estimates for inactive properties that were previously fully depleted. Excluding the impact of decommissioning estimates, per unit D&D expenses increased by 16% to $4.74 per BOE from $4.07 per BOE during the respective quarters ended June 30, 2021 and March 31, 2021. The increase is a result of higher depletion rates on the recently acquired properties relative to the west central Alberta assets which were acquired at a deeply discounted valuation through the BXE Asset Acquisition.

Spartan assessed each of its cash generating units ("CGUs") for indicators of potential impairment as at June 30, 2021 and concluded there are no indicators of impairment (or reversals of previously recognized impairments). As at March 31, 2020, the Company recognized an impairment loss of $3.0 million on its Peace River Arch CGU as a result of the significant decrease in forecast commodity prices compared to forecast prices as at December 31, 2019.

OTHER INCOME (EXPENSES)

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2021**	2020	**2021**	2020
Gain on sale of assets	**121**	-	**153**	-
Gain on acquisition	**-**	52,952	**35,134**	52,952
Discount rate adjustment on decommissioning obligations acquired	**-**	(13,106)	**-**	(13,106)
Transaction costs	**(161)**	(2,244)	**(849)**	(2,244)
Other income	**893**	-	**1,527**	-
Premium on flow-through shares	**838**	-	**838**	-
Change in fair value of convertible promissory note	**(13,560)**	-	**(14,016)**	-
Other income, net of other expenses	**(11,869)**	37,602	**22,787**	37,602

During the first quarter of 2021, Spartan recognized a gain of $35.1 million on the Inception Acquisition as the total fair value of consideration paid was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools assumed by acquiring the corporate entity. Inception's unused tax pools were estimated to be $287.1 million on the acquisition date, of which approximately half are non-capital losses. Unused tax losses and deductible temporary differences resulted in a deferred income tax asset of $39.5 million, net of a deferred income tax liability on taxable temporary differences of $5.7 million. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Based on forecast cash flows in the Inception reserves report, Spartan expects the successored properties to generate sufficient taxable income in the future to utilize the deductions from successored resource pools estimated to be $114.8 million. Spartan also expects to generate sufficient taxable income corporately to utilize the remaining non-capital losses prior to expiry in years 2035 to 2040.

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

Spartan expensed transaction costs of $0.2 million during the second quarter and $0.8 million year to date in respect of business combinations completed during the first half of 2021. In addition, approximately $0.1 million of costs related to the issuance of share consideration for certain acquisitions was charged directly to equity, net of deferred tax. Approximately $0.1 million of transaction costs were capitalized in respect of the January 2021 Acquisition which was accounted for as an asset acquisition.

Other income of $1.5 million for the six months ended June 30, 2021 includes $1.0 million of funding earned through the Alberta provincial government Site Rehabilitation Program ("SRP") (see "Decommissioning Obligations") and $0.5 million of cash proceeds from the sale of emissions credits during the first quarter of 2021.

During the quarter ended June 30, 2021, Spartan incurred $4.5 million of qualifying expenditures in respect of the Flow-Through Private Placement (hereinafter defined under the heading "March 2021 Financings – Non-Brokered Offering"). The deferred premium on flow-through shares was drawn down proportionately with $0.8 million recognized as income during the second quarter.

The Convertible Note issued in connection with the Inception Acquisition is measured at FVTPL and is revalued based on Spartan's closing share price at the end of each reporting period. The fair value of the Convertible Note increased from $25.7 million at March 31, 2021 to $39.3 million as of June 30, 2021, resulting in an unrealized loss of approximately $13.6 million due to appreciation of the Company's share price during the quarter.

INCOME TAXES

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2021**	2020	**2021**	2020
Current income tax	**-**	-	**-**	-
Deferred income tax recovery	**(5,945)**	(8,088)	**(6,291)**	(8,088)
Income tax recovery	**(5,945)**	(8,088)	**(6,291)**	(8,088)

Spartan's combined federal and provincial statutory tax rate was 23.0% during the quarter ended June 30, 2021, compared to an average of 24.0% for the year ended December 31, 2020. The deferred tax recovery for the three and six months ended June 30, 2021 of $5.9 million and $6.3 million, respectively, differs from the expected amount of tax expense based on the statutory rate primarily due to an unrecognized deferred tax asset related to non-capital losses ("NCLs") acquired through the January 2021 Acquisition. Spartan's accounting policy is to recognize the previously unrecognized NCLs in proportion to the estimated amount of taxable income generated each period. For the three and six months ended June 30, 2021, taxable income is estimated to be approximately $44.5 million and $71.4 million, respectively, resulting in estimated recoveries of $10.2 million and $16.4 million in the respective periods. In addition, there was a gain on the Inception Acquisition of $35.1 million in the first quarter of 2021 which is not taxable.

Approximately $1.0 million of deferred income taxes were charged directly to equity in respect of share issue costs incurred during the first six months of 2021 ($0.4 million for the comparative period of 2020).

Spartan was not required to pay income taxes in the current or prior quarter as the Company had sufficient income tax deductions available to shelter taxable income. The Acquisitions completed during the first half of 2021 have materially enhanced Spartan's future tax horizon. As at June 30, 2021, total available tax pools are estimated to be $598.5 million, up from $117.5 million as of December 31, 2020. See also, "Subsequent Events".

The composition of the Company's estimated available tax pools as at June 30, 2021 is summarized below:

(CA$ thousands, unless otherwise indicated)	Deduction Rate (1)	**Amount**	% of Total
Canadian oil and gas property expenses (COGPE)	10%	**103,135**	17%
Canadian development expenses (CDE)	30%	**111,158**	19%
Canadian exploration expenses (CEE)	100%	**8,940**	1%
Undepreciated capital cost (UCC) (2)	25%	**45,204**	8%
Share issue costs (SIC)	5 years	**5,827**	1%
Non-capital losses (NCL) (3)(4)	100%	**324,254**	54%
Total available tax pools (estimate) (4)(5)		**598,518**	100%

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

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

(3) NCLs expire in years 2035 to 2040.

(4) Includes $110.4 million of non-capital losses that are not recognized in Spartan's deferred income tax asset on the Consolidated Statement of Financial Position as at June 30, 2021.

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

NET INCOME AND COMPREHENSIVE INCOME

	Three months ended June 30		Six months ended June 30	
(CA$ thousands, unless otherwise indicated)	**2021**	2020	**2021**	2020
Revenue	**88,783**	11,401	**151,139**	11,818
Expenses	**(52,246)**	(11,987)	**(85,738)**	(17,224)
Income (loss) before derivatives, other items and taxes	**36,537**	(586)	**65,401**	(5,406)
Gain (loss) on derivative financial instruments	**(10,949)**	2,302	**(15,651)**	2,302
Other income, net of other expenses	**(11,869)**	37,602	**22,787**	37,602
Income before income taxes	**13,719**	39,318	**72,537**	34,498
Income tax recovery	**(5,945)**	(8,088)	**(6,291)**	(8,088)
Net income and comprehensive income	**19,664**	47,406	**78,828**	42,586
WA common shares outstanding – basic (000s)	**114,129**	36,655	**91,337**	31,380
WA common shares outstanding – diluted (000s) (1)(2)	**127,965**	47,113	**104,627**	42,183
Net income $ per share – basic	**0.17**	1.29	**0.86**	1.36
Net income $ per share – diluted	**0.15**	1.01	**0.75**	1.01

(1) In computing the diluted net income per share for the three and six months ended June 30, 2021, the effect of the Convertible Note was excluded from the diluted weighted average shares outstanding because it was anti-dilutive to net income per share.

(2) In computing the diluted net income per share for the comparative three and six months ended June 30, 2020, the effect of stock options was excluded because the stock options were not in-the-money based on the average share price in the comparative period.

Net income was $19.7 million ($0.15 per share, diluted) for the three months ended June 30, 2021, compared to $59.2 million ($0.73 per share, diluted) in the preceding quarter. Over the respective quarters, Spartan's income before derivatives, other items and taxes increased to $36.5 million from $28.9 million. The variance in net income quarter over quarter is primarily due to a gain of $35.1 million on the Inception Acquisition during the first quarter and changes in the fair value of financial instruments which are not taxable and are partly offset by a corresponding deferred income tax recovery.

Changes in the fair value of financial instruments had a significant impact on net income during the first half of 2021. Due to continued strength of forecast AECO natural gas prices, Spartan recorded unrealized losses on risk management contracts of $1.7 million and $9.0 million, respectively, during the first and second quarters of 2021. In addition, the fair value of the Convertible Note increased on appreciation of Spartan's share price resulting in an unrealized loss of $13.6 million during the three months ended June 30, 2021.

Spartan's net income was $78.8 million ($0.75 per share, diluted) for the first half of 2021, up from $42.6 million ($1.01 per share, diluted) in the same period of 2020. The profit recognized in the comparative periods of 2020 was primarily due to $37.6 million of other income recognized in connection with closing of the BXE Asset Acquisition. Prior to June 1, 2020, the Company did not have significant assets or operations.

The significant increase in net income during 2021 also reflects the positive impact of the Acquisitions on the Company's future tax horizon. Spartan recorded a deferred income tax asset of $33.8 million on the Inception Acquisition and also amortized a tax benefit related to the January 2021 Acquisition by $16.4 million which more than offset deferred income tax expense for the period. As a result, Spartan's deferred income tax recovery was $6.3 million on $72.5 million of income before taxes for the first six months of 2021.

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

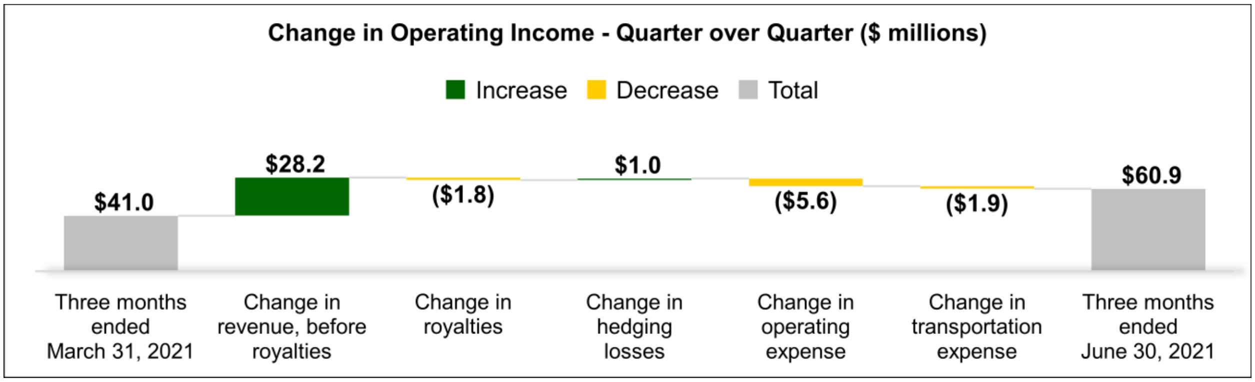
The following table provides a continuity of income and expenses included in the Company's calculation of Operating Income, Adjusted Funds from Operations, and Funds from Operations generated during the second quarter of 2021 and first quarter of 2021, respectively, as well as the average Netback ($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

Second Quarter 2021 vs First Quarter 2021 (1)	**Q2 2021**		Q1 2021		% change
(CA$ thousands, except per BOE amounts)	**Amount**	**$/BOE**	Amount	$/BOE	$/BOE
Revenue	**88,783**	**24.61**	62,356	21.71	13%
Realized loss on derivative financial instruments	**(1,947)**	**(0.54)**	(2,963)	(1.03)	(48%)
Operating expenses	**(20,075)**	**(5.56)**	(14,534)	(5.06)	10%
Transportation expenses	**(5,829)**	**(1.62)**	(3,855)	(1.34)	21%
Operating Income / Operating Netback (2)	**60,932**	**16.89**	41,004	14.28	18%
G&A expenses	**(4,800)**	**(1.33)**	(3,493)	(1.22)	9%
Interest expense, net of interest income	**(49)**	**(0.01)**	(356)	(0.12)	(92%)
Adjusted Funds from Operations / Corporate Netback (2)	**56,083**	**15.55**	37,155	12.94	20%
Other income (3)	**7**	**0.00**	533	0.19	nm
Settlement of decommissioning obligations	**(578)**	**(0.16)**	(671)	(0.23)	(30%)
Transaction costs	**(161)**	**(0.04)**	(688)	(0.24)	(83%)
Funds from Operations (2)	**55,351**	**15.35**	36,329	12.66	21%
Change in non-cash working capital	**(7,323)**	**(2.03)**	(4,222)	(1.47)	38%
Cash provided by operating activities	**48,028**	**13.32**	32,107	11.19	19%

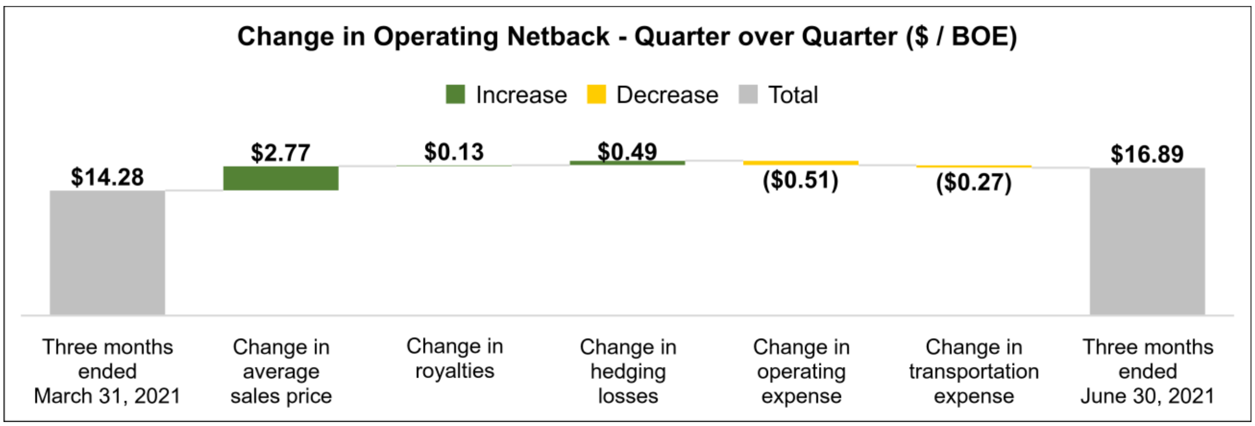
(1) Spartan has provided the first quarter of 2021 as the comparative period in this table because cash flows were not significant in the second quarter of 2020. Specifically, the Company used $6.0 million of cash in operations during the three months ended June 30, 2020.

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

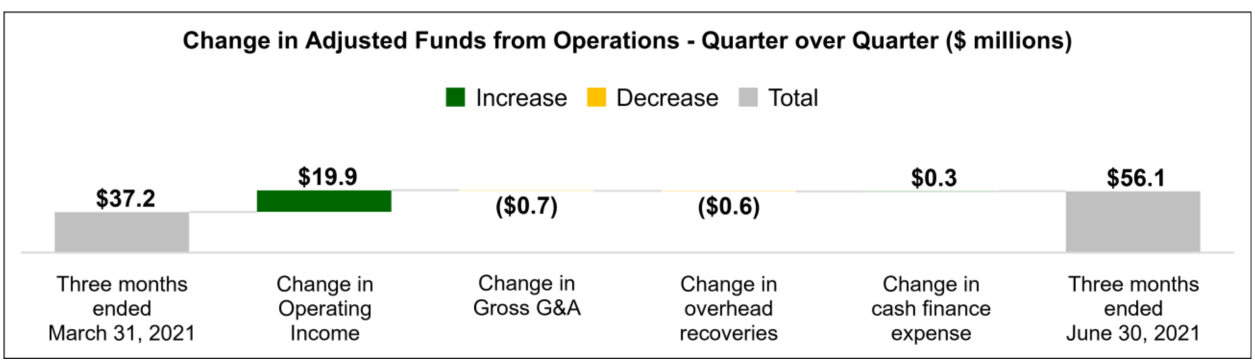
(3) Excludes non-cash other income earned through the Alberta SRP program.



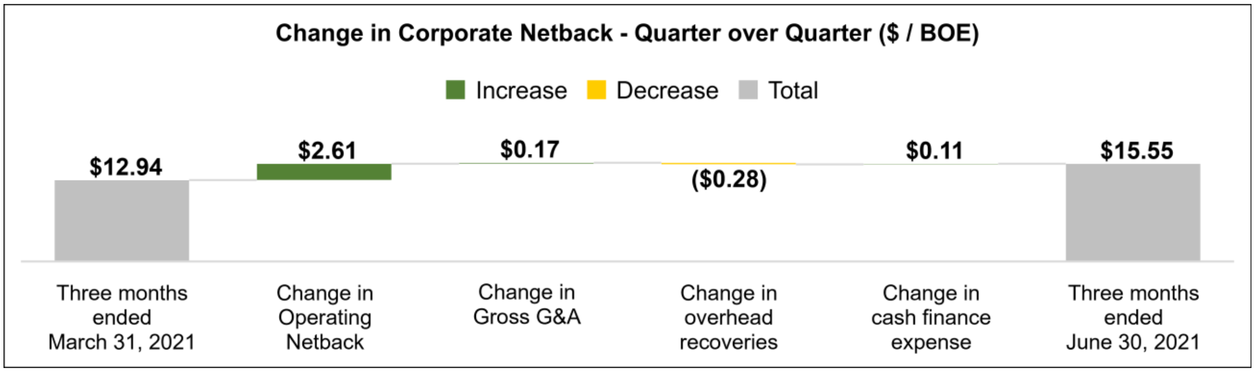
The Company generated Operating Income of $60.9 million during the quarter ended June 30, 2021, an increase of $19.9 million or 49% compared to Operating Income of $41.0 million in the previous quarter. On a per unit basis, Spartan's Operating Netback of $16.89 per BOE for the second quarter was 18% higher than the average Operating Netback of $14.28 per BOE in the first quarter of 2021. In addition to higher oil prices, among other contributing factors discussed in the preceding analysis, the improved netback highlights strong results from the acquired properties. In particular, the Gold Creek Montney assets acquired through the Inception Acquisition produced an Operating Netback of $30.35 per BOE for the three months ended June 30, 2021, contributing to the increase in Spartan's corporate average Operating Netback.



Spartan's Adjusted Funds from Operations of $56.1 million resulted in a Corporate Netback of $15.55 per BOE for the second quarter of 2021. Adjusted Funds from Operations increased by 51% on an absolute basis from $37.2 million in the first quarter of 2021, driven primarily by the increase in Operating Income.



The Company generated a Corporate Netback of $15.55 per BOE for the three months ended June 30, 2021, an increase of $2.61 per BOE or 20% over the previous quarter of $12.94 per BOE. The positive impact of higher netbacks from the field was retained as lower cash interest costs offset the modest increase in Net G&A expenses per unit. Overhead recoveries decreased by 50% compared to the first quarter of 2021 primarily due to lower capital expenditures during the second quarter.



Funds from Operations was $55.4 million for the second quarter of 2021, after deducting $0.6 million of settlements of decommissioning obligations and $0.2 million of transaction costs from Adjusted Funds from Operations.

Total cash provided by operating activities of $48.0 million for the three months ended June 30, 2021, is net of a $7.3 million change in non-cash working capital. The change in non-cash working capital can vary significantly each period based on seasonal changes in corporate activity levels, the impact of commodity prices on accrued revenue receivable, and timing of processing payments, among other factors. During the second quarter of 2021, the increase in accounts receivable and prepaid expenses significantly exceeded the change in accounts payable and accrued liabilities related to operating activities compared to the first quarter. As a result, Spartan's cash provided by operating activities is lower than its reported Funds from Operations. As at June 30, 2021, Spartan had $128.5 million of cash on hand.

The following table summarizes the components of cash provided by (used in) operating activities for the six months ended June 30, 2021 and June 30, 2020.

Six months ended June 30	**2021**		2020		% change
(CA$ thousands, except per BOE amounts)	**Amount**	**$/BOE**	Amount	$/BOE	$/BOE
Revenue	**151,139**	**23.32**	11,818	14.17	65%
Realized gain (loss) on derivative financial instruments	**(4,910)**	**(0.76)**	136	0.16	nm
Operating expenses	**(34,609)**	**(5.34)**	(6,152)	(7.38)	(28%)
Transportation expenses	**(9,684)**	**(1.49)**	(1,121)	(1.34)	11%
Operating Income / Operating Netback (1)	**101,936**	**15.73**	4,681	5.61	180%
G&A expenses	**(8,293)**	**(1.28)**	(2,058)	(2.47)	(48%)
Interest expense, net of interest income	**(405)**	**(0.06)**	(108)	(0.13)	(54%)
Adjusted Funds from Operations / Corporate Netback (1)	**93,238**	**14.39**	2,515	3.01	378%
Other income (2)	**540**	**0.08**	-	-	nm
Settlement of decommissioning obligations	**(1,249)**	**(0.19)**	(690)	(0.83)	(77%)
Transaction costs	**(849)**	**(0.13)**	(2,244)	(2.69)	(95%)
Funds from Operations (1)	**91,680**	**14.15**	(419)	(0.51)	nm
Change in non-cash working capital	**(11,545)**	**(1.78)**	(6,160)	(7.39)	(76%)
Cash provided by (used in) operating activities	**80,135**	**12.37**	(6,579)	(7.90)	nm

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

(2) Primarily includes $0.5 million of cash proceeds from the sale of emissions credits during the first quarter of 2021. Excludes non-cash other income earned through the Alberta SRP program.

CAPITAL EXPENDITURES

Over the past 18 months following the recapitalization transaction, Spartan has been focused on growing the Company through a targeted acquisition and consolidation strategy. The Company's first transformational transaction, the BXE Asset Acquisition, was completed in June 2020 for total consideration of $108.8 million and established Spartan's core operating area in west central Alberta. Since then, Spartan has completed a total of eight (three corporate and five property) acquisitions over the 12 month period ended June 30, 2021, which have added a second core development area in northwest Alberta and built on the west central Alberta assets through smaller tuck-in acquisitions. Simultaneously, Spartan continues to focus on expanding its internally generated prospects and optimization of its existing asset base. The following table summarizes Spartan's cash capital expenditures during the three and six month periods ended June 30, 2021 and June 30, 2020:

CASH CAPITAL EXPENDITURES	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2021**	2020	**2021**	2020
Lease acquisition and retention	**648**	12	**916**	18
Geological and geophysical	**360**	1,015	**472**	1,049
Drilling and completion	**5,653**	-	**22,187**	-
Facilities, pipeline and well equipment	**1,636**	28	**3,210**	165
Production optimization workovers	**971**	(6)	**1,495**	183
Corporate assets	**134**	138	**404**	148
Capital expenditures, before A&D	**9,402**	1,187	**28,684**	1,563
Acquisitions (1)(2)	**10,393**	108,782	**30,459**	108,782
Dispositions	**(87)**	-	**(149)**	-
Total cash capital expenditures (1)	**19,708**	109,969	**58,994**	110,345

(1) Excludes non-cash consideration for acquisitions, refer to additional information in the "Acquisitions" table below.

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

Spartan executed an 8 (8.0 net) well winter drilling program in its core area at Ferrier, Alberta, during the fourth quarter of 2020 and first quarter of 2021. The program included one Cardium well and seven Spirit River wells, two of which were completed and brought on production in December 2020 and the remaining six wells were brought on-stream throughout the first quarter of 2021. In late June, Spartan kicked off its drilling program for the second half of 2021 and commenced drilling of a two-well pad at Brazeau and a four-well pad at Gold Creek targeting Montney oil. Surface construction on several other leases also commenced in the second quarter.

Capital expenditures before A&D were $28.7 million for the six months ended June 30, 2021, of which $9.4 million were spent in the second quarter. In addition to expenditures related to the drilling program and associated facility and equipping costs, Spartan spent $1.5 million on production optimization, $1.4 million on land and seismic and $0.4 million on corporate assets in 2021 year to date.

Total consideration for the Acquisitions completed during the first half of 2021 was $163.0 million, comprised of: $30.4 million of cash consideration after interim closing adjustments; the issuance of 27.5 million common shares valued at $107.3 million; and the issuance of a convertible promissory note with an acquisition date fair value of $25.3 million. In addition, Spartan assumed a net working capital deficit of $4.0 million in connection with the corporate acquisitions.

Spartan completed tuck-in acquisitions in its core areas during the second quarter of 2021 for aggregate total consideration of $11.6 million, comprised of $10.1 million of cash and the issuance of 0.3 million common shares valued at $1.5 million. The acquisitions primarily include undeveloped acreage in Spartan's new Montney focused core areas in northwest Alberta, as well as approximately 300 BOE per day of production behind pipe which has since been reactivated subsequent to June 30, 2021. Acquisition costs for the second quarter of 2021 also include approximately $0.3 million of closing adjustments related to prior acquisitions.

The following table summarizes the total consideration paid for the Acquisitions during the period ended June 30, 2021 and the estimated fair value of the net identifiable assets acquired on the respective acquisition dates:

ACQUISITIONS *(CA$ thousands)*	**Inception**	**Simonette**	**Other**	**Total**
Cash consideration, after adjustments [(1)]	-	14,799	15,660	30,459
Common share consideration	92,089	5,794	9,380	107,263
Convertible promissory note	25,293	-	-	25,293
Total consideration	**117,382**	**20,593**	**25,040**	**163,015**
Net working capital (deficit)	(4,150)	-	129	(4,021)
Other non-current assets	7,500	-	-	7,500
Exploration and evaluation assets	7,163	3,053	10,570	20,786
Property, plant and equipment	109,976	35,717	8,998	154,691
Right-of-use assets	1,048	-	-	1,048
Lease liabilities	(1,048)	-	-	(1,048)
Decommissioning obligations [(3)]	(1,800)	(18,177)	(3,104)	(23,081)
Deferred income tax asset	33,827	-	8,447	42,274
Fair value of net assets acquired [(2)]	**152,516**	**20,593**	**25,040**	**198,149**
Gain on acquisition [(2)]	**(35,134)**	**-**	**-**	**(35,134)**

(1) The amount of cash consideration is estimated based on interim statements of adjustments.

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

(3) The fair value of decommissioning obligations acquired of $23.1 million was estimated by discounting the inflated cost estimates using "credit-adjusted risk-free rates" ranging from 6.1% to 7.0% on the respective closing dates of the Acquisitions. Subsequent remeasurement of the decommissioning obligations acquired at a risk-free rate under Spartan's accounting policy resulted in an increase in the present value of decommissioning obligations acquired by $23.8 million to $46.9 million in aggregate.

Inception Acquisition

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

The Company acquired all of the issued and outstanding common shares of Inception in exchange for 23,734,379 common shares of Spartan, the majority of which were issued to a major shareholder and debtholder of Inception, ARETI Energy S.A. ("ARETI"). Upon closing of the Inception Acquisition, ARETI assumed ownership and control over 23,675,779 Spartan common shares representing approximately 20.8% of the total number of Spartan common shares issued and outstanding on a non-diluted basis (see also, "Related Party Disclosures"). The fair value of common share consideration was $92.1 million based on Spartan's closing share price on the TSXV of $3.88 per common share on March 18, 2021. In addition, Spartan issued a $50.0 million Convertible Note to ARETI (the "Noteholder"). The fair value of the Convertible Note was estimated to be approximately $25.3 million on the acquisition date. Additional information regarding the terms and valuation of the Convertible Note is provided under the heading "Capital Resources and Liquidity".

The net assets acquired were recorded at their estimated fair value on the acquisition date of $152.5 million, as outlined in the table above. A gain of $35.1 million was recognized as the total consideration was less than the estimated fair value of the net assets acquired. The gain is primarily attributed to significant tax pools acquired and the resulting deferred income tax asset.

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

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

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

Simonette Acquisition

On March 18, 2021, Spartan acquired certain petroleum and natural gas assets located primarily in the Simonette area of northwest Alberta for total consideration of $20.6 million after estimated closing adjustments (the "Simonette Acquisition"). The gross purchase price was comprised of the issuance of 1,493,180 common shares and $17.2 million of cash, before closing adjustments. Adjustments to the cash purchase price were estimated to be approximately $2.4 million between the effective date of January 1, 2021 and closing. The fair value of the common share consideration was $5.8 million based on Spartan's closing share price of $3.88 per common share on March 18, 2021.

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

Other Acquisitions

January 2021 Acquisition

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

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

Company's taxable income. Spartan recognized $10.2 million and $16.4 million, respectively, for the three and six months ended June 30, 2021 and $25.4 million remains unrecognized as at June 30, 2021.

Willesden Green Acquisition

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

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

Canoe Acquisition

On May 21, 2021, Spartan closed the acquisition of Canoe Point Energy Ltd. ("Canoe") pursuant to which the Company acquired all of the issued and outstanding shares of Canoe (the "Canoe Shares"). Canoe was a private company and is now a wholly owned subsidiary of Spartan, holding 15,360 net acres of undeveloped Montney land in the Karr area of northwest Alberta. The total purchase price of $1.5 million was satisfied through the issuance of 306,271 common shares of Spartan, including the assumption of less than $0.1 million of net debt (the "Canoe Acquisition").

Certain officers and directors of Spartan had ownership and control over 48% of the Canoe Shares. As a result, the Canoe Acquisition constituted a "related party transaction" and was recorded at the exchange amount. (See also, "Related Party Transactions").

Gold Creek Property Acquisitions

On June 17, 2021, Spartan closed an acquisition of 33,500 net acres of Montney lands and approximately 300 BOE per day production behind pipe for cash consideration of $10.0 million after estimated closing adjustments. The assets acquired are contiguous with Spartan's existing core operating assets in the Gold Creek and Simonette areas. Future development from these properties will feed into Spartan's existing 100% working interest gathering system and processing facilities. The purchase price was allocated to the net assets acquired based on estimated fair values, including $2.3 million of PP&E, $8.6 million of E&E, and $0.9 million of decommissioning obligations.

Spartan acquired additional Gold Creek acreage for $0.1 million on June 4, 2021, to fill in a gap in the Company's contiguous land holdings.

DECOMMISSIONING OBLIGATIONS

As at June 30, 2021, the Company's total decommissioning obligations are estimated to be $134.4 million, of which $2.9 million are expected to be settled over the next twelve months. Spartan is committed to environmental stewardship and seeks to maintain an industry leading Liability Management Rating with a proactive program to address its decommissioning obligations. The Company spent $1.2 million on decommissioning during the first half of 2021 and settled an additional $1.0 million of liabilities through abandonment and reclamation projects funded through the Alberta Site Rehabilitation Program. Spartan has received allocations for an additional $0.9 million of funding for abandonment and reclamation projects budgeted to be completed in the remainder of 2021 and throughout 2022. Recoveries under the SRP are recognized in the financial statements in the period in which the work is completed.

The carrying amount of Spartan's decommissioning obligations increased by $36.3 million from $98.1 million at December 31, 2020, to $134.4 million at June 30, 2021. The majority of the change is attributed to obligations acquired of $46.9 million, offset by a $9.9 million decrease in the present value resulting from an increase in the risk-free discount rate from 1.2% at December 31, 2020 to 1.8% at June 30, 2021. The increase in discount rate during the first half of 2021 reflects the improved economic outlook and recovery of long-term Canadian benchmark bond yields compared to 2020. The Company's annual inflation rate assumption is unchanged at 2.0%.

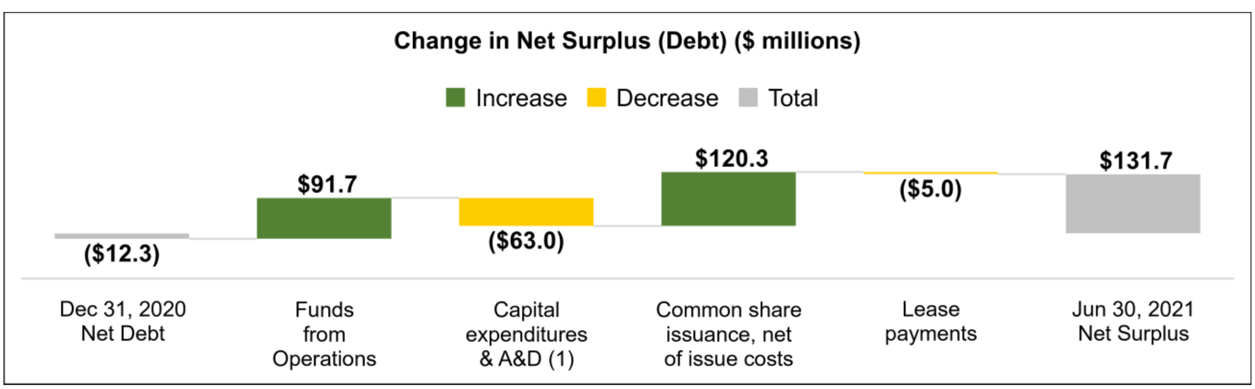
CAPITAL RESOURCES AND LIQUIDITY

Spartan's capital management objectives are to maintain a flexible capital structure in order to meet its financial obligations, execute on strategic opportunities throughout the business cycle and respond to changes in economic conditions. As at June 30, 2021, the Company's capital structure is comprised of working capital, bank debt, a convertible promissory note, and shareholders' equity. During the first half of 2021, the Company's primary sources of funds were cash provided by operating activities and the Credit Facility which is currently undrawn. In addition, Spartan raised gross proceeds of $124.0 million through equity financings completed in March 2021 (see "Share Capital").

The Company monitors its capital structure and short-term financing requirements using a "Net Debt to Trailing Adjusted Funds Flow" ratio, which is a non-GAAP financial measure calculated as the ratio of the Company's "Net Debt" to "Trailing Adjusted Funds Flow" (definitions and details of the underlying calculation of the annualized Trailing Adjusted Funds Flow are provided under the heading "Non-GAAP Measures"). As at June 30, 2021, Spartan had a Net Surplus of $131.7 million therefore the "Net Debt to Trailing Adjusted Funds Flow" ratio is not meaningful as of the current reporting period.

(CA$ thousands, except as noted)	**June 30, 2021**	December 31, 2020
Cash	**(128,486)**	(2,686)
Accounts receivable	**(41,397)**	(20,475)
Prepaid expenses and deposits	**(12,615)**	(1,529)
Accounts payable and accrued liabilities	**47,945**	34,149
Current portion of decommissioning obligations	**2,857**	2,833
Adjusted Working Capital deficit (surplus)	**(131,696)**	12,292
Bank debt	**-**	-
Net Debt (Surplus)	**(131,696)**	12,292
Trailing Adjusted Funds Flow	**211,828**	67,184
Net Debt to Trailing Adjusted Funds Flow	**nm**	0.2x

The following table summarizes the change in the Company's Net Debt (Surplus) during the period:



(1) Includes the aggregate non-cash working capital deficit assumed on corporate acquisitions of $4.0 million.

During the six months ended June 30, 2021, Spartan generated cash provided by operating activities of $80.1 million which was used to fund the Company's exploration and development capital expenditures of $28.7 million, lease payments of $5.0 million, and the cash portion of the purchase price for Acquisitions. Total consideration for the Acquisitions completed during the first two quarters of 2021 was $163.0 million in aggregate, comprised of $30.4 million of cash, $107.3 million of common share consideration, and the issuance of a convertible promissory note with a fair value of $25.3 million on the acquisition date. Spartan temporarily advanced $15.0 million on the Credit Facility to fund the cash purchase price for the Simonette Acquisition on March 18, 2021, which was subsequently repaid using proceeds from the equity financings.

As at June 30, 2021, Spartan had no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Spartan exited the second quarter with a Net Surplus of $131.7 million as at June 30, 2021, compared to a Net Surplus of $98.3 million at March 31, 2021. Total cash capital expenditures of $19.7 million (including A&D) were fully funded by cash provided by operating activities during the second quarter of 2021.

The Company is well positioned to execute on its strategic growth plans. Future exploration and development capital expenditures are expected to be funded primarily by cash provided by operating activities during 2021. Future acquisitions, including but not limited to the Velvet Acquisition, are expected to be funded through a combination of cash on hand, cash provided by operating activities and bank debt, and may be supplemented by new equity or debt offerings. Refer to additional information under the heading "Subsequent Events" for additional information regarding the New Financings announced subsequent to the reporting period in connection with the Velvet Acquisition.

The following table provides a contractual maturity of the Company's financial liabilities and undiscounted lease liabilities as at June 30, 2021:

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	47,945	-	-	47,945
Derivative financial instruments	13,878	-	-	13,878
Standby fees on Credit Facility (1)	661	606	-	1,267
Convertible promissory note (2)	-	39,309	-	39,309
Undiscounted lease liabilities (3)	10,006	43,792	2,584	56,382
Total	**72,490**	**83,707**	**2,584**	**158,781**

(1) The Company has no bank debt outstanding on its Credit Facility with an authorized borrowing amount of $100.0 million. Standby fees were estimated at 0.7% of the undrawn borrowing base for the period from July 1, 2021 to the term maturity date of May 30, 2023.

(2) The principal amount of the Convertible Note is $50.0 million and shall be payable on the maturity date of March 18, 2026, in the event Spartan does not elect to exercise its option to settle the obligation by converting to common shares. The carrying amount above reflects its fair value based on Spartan's closing share price of $6.03 per common share on June 30, 2021.

(3) As at June 30, 2021, the present value of the Company's total lease liability is $47.4 million, of which approximately $7.5 million is expected to be settled in the next twelve months.

CREDIT FACILITY

On June 1, 2020, the Company established a revolving committed term credit facility (the "Credit Facility") with a syndicate of lenders comprised of National Bank of Canada, ATB Financial and Canadian Western Bank (together, the "Lenders"). The Credit Facility has an authorized borrowing amount of $100.0 million and is available for a revolving period of 364 days maturing on May 30, 2022 and may be extended annually at the Company's option and subject to approval of the Lenders, with a 365 day term-out period if not renewed. As at June 30, 2021 and at December 31, 2020, Spartan had no bank debt outstanding. The Company has issued $3.8 million of standby letters of credit which are undrawn. There are no financial covenants under the existing Credit Facility and Spartan is in compliance with all other covenants as at June 30, 2021.

On July 28, 2021, the Company entered into a commitment letter agreement with a syndicate of lenders with the intent to establish the New Credit Facility with a $450.0 million borrowing base. The New Credit Facility will replace the existing $100.0 million Credit Facility effective upon completion of the Velvet Acquisition. A summary of the proposed terms, conditions and covenants under the New Credit Facility is provided under the heading "Subsequent Events".

CONVERTIBLE PROMISSORY NOTE

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

As at June 30, 2021, the maximum number of Spartan common shares issuable on conversion of the Convertible Note is 6,518,905 common shares, based on the initial principal amount of $50.0 million divided by the minimum conversion price of $7.67 per common share. For all periods in which Spartan's share price is less than $7.67, the Convertible Note is assumed to be "in-the-money" and the maximum number of shares potentially issuable on conversion is included in the calculation of the diluted weighted average common shares outstanding. In the event Spartan does not elect to exercise its option to settle the obligation by converting to common shares, the principal amount outstanding shall be due and payable to the Noteholder at the end of the five-year term.

The Convertible Note is measured at FVTPL and will be revalued based on Spartan's closing share price at the end of each reporting period (Level 2 fair value measurement). The fair value of the Convertible Note increased from $25.3 million on March 18, 2021 to $39.3 million as of June 30, 2021, resulting in an unrealized loss of approximately $14.0 million during the six months ended June 30, 2021. The fair value increased due to appreciation of the Company's share price from $3.88 on the issue date to $6.03 per common share on June 30, 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, and an unlimited number of special shares, each without par value. As at June 30, 2021 and as of the date hereof, there are 114.5 million common shares outstanding (58.2 million as at December 31, 2020). There are no preferred shares or special shares outstanding. During the first half of 2021, Spartan issued 28.5 million common shares for gross proceeds of $124.0 million pursuant to the March 2021 Financings, issued an aggregate of 27.5 million common shares as consideration for certain acquisitions and issued 0.2 million common shares in connection with stock options and warrants exercised during the period. (See also, "Subsequent Events").

The Company's common shares currently trade on the TSXV under the symbol "SDE" (see "Subsequent Events" regarding Spartan's pending graduation to the TSX). The volume weighted average trading price of Spartan's shares on the TSXV was $4.65 and $4.32 per common share for the three and six months ended June 30, 2021. Spartan's closing price was $6.03 on June 30, 2021 compared to $2.98 on December 31, 2020.

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

Number of securities outstanding (000s)	December 31, 2020	**June 30, 2021**	**August 11, 2021**
Common shares (4)	58,226	**114,476**	**114,480**
Warrants (1)	16,084	**15,954**	**15,954**
Stock options (2)	3,400	**4,360**	**4,356**
Share awards	-	**1,788**	**1,788**
Convertible Note	-	**6,519**	**6,519**
Total securities outstanding (3)(4)	77,710	**143,097**	**143,097**

(1) The common share purchase warrants have an exercise price of $1.00 per share and are fully vested. If the remaining warrants are exercised by the holders, the warrants will provide aggregate cash proceeds of $16.0 million to the Company.

(2) The outstanding stock options have an average exercise price of $3.29 per common share with an average remaining term of 4.1 years.

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

(4) Does not include 29.7 million common shares to be issued in connection with the August 2021 Financings or approximately 3.0 million common shares to be issued upon completion of the Velvet Acquisition (see "Subsequent Events").

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

	Three months ended June 30		Six months ended June 30	
(000s)	**2021**	2020	**2021**	2020
WA common shares outstanding, basic	**114,129**	36,655	**91,337**	31,380
Dilutive effect of outstanding stock options	**778**	-	**589**	-
Dilutive effect of outstanding share awards	**535**	-	**440**	-
Dilutive effect of outstanding warrants	**12,523**	10,458	**12,261**	10,803
Dilutive effect of Convertible Note	**-**	-	**-**	-
WA common shares, diluted – for EPS	**127,965**	47,113	**104,627**	42,183
Incremental dilutive effect of stock options	**504**	-	**460**	-
Incremental dilutive effect of share awards	**1,253**	-	**1,348**	-
Incremental dilutive effect of Convertible Note	**6,518**	-	**3,781**	-
WA common shares, diluted – for AFFO	**136,240**	47,113	**110,216**	42,183

The Company uses the treasury stock method to determine the impact of dilutive securities. Under this method, only "in-the-money" dilutive instruments impact the calculations of diluted EPS and diluted AFFO per share. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

AFFO per share is calculated using the same methodology as EPS, however the diluted weighted average common shares outstanding for AFFO may differ from the diluted weighted average determined in accordance with IFRS for purposes of calculating EPS. In particular, the convertible promissory note is always dilutive to AFFO per share but may be antidilutive to EPS because of the non-cash change in fair value recognized through net income. Similarly, the dilutive impact of stock options and share awards is more dilutive to AFFO 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 its non-cash.

March 2021 Financings

Prospectus Offering

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

Non-Brokered Offering

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

The implied premium on the flow-through shares was determined to be $10.1 million or $0.92 per flow-through share, relative to the subscription price of $4.00 per share under the concurrent Non-Brokered Private Placement. Pursuant to the provisions of the *Income Tax Act* (Canada), the Company shall incur eligible Canadian development expenses (the "Qualifying Expenditures") after the closing date and prior to December 31, 2021 in the aggregate amount of not less than the total gross proceeds raised from the Flow-Through Private Placement. The deferred premium was recognized initially as a liability on the Consolidated Statement of Financial Position and will subsequently be drawn-down in proportion to the Qualifying Expenditures incurred and recognized in net income. As of June 30, 2021, the Company had incurred $4.5 million of Qualifying Expenditures and recognized $0.8 million of the deferred premium as income during the second quarter. The Company will satisfy the remaining commitment of $49.5 million of Qualifying Expenditures through its budgeted drilling and completion capital expenditures during the second half of 2021.

COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual commitments as of June 30, 2021:

(CA$ thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Firm transportation	9,714	31,581	10,856	52,151
Qualifying Expenditures	49,543	-	-	49,543

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

In connection with the Flow-Through Private Placement completed on March 18, 2021, the Company is obligated to incur and renounce Qualifying Expenditures in the aggregate amount of $54.0 million, of which $4.5 million has been incurred as at June 30, 2021, a further $2.0 million must be incurred prior to October 31, 2021, and the remaining $47.5 million must be incurred prior to December 31, 2021.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes with partners or other stakeholders. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined to have an adverse affect on the Company's future operations or financial condition. As of the date of this MD&A, the Company has no material litigation or claims outstanding that have not already been reflected in the Interim Financial Statements as at June 30, 2021.

RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

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

As at June 30, 2021, Spartan has two wholly owned subsidiaries, namely, Canoe Point Energy Ltd. and Inception General Partner Inc. Canoe holds undeveloped land in Spartan's Montney focus area of northwest Alberta (see "Capital Expenditures – Acquisitions"). Inception GP was previously a wholly owned subsidiary of Inception and continues to operate as a separate legal entity. It is the general partner of three limited partnerships, to each of which it holds a 0.01% interest.

Balances and transactions between Spartan and its wholly owned subsidiaries have been eliminated on consolidation and are not material to the Company.

b) Related party transactions

During the three and six months ended June 30, 2021, the Company incurred $0.2 million and $1.2 million, respectively of legal fees to a law firm where the corporate secretary of the Company is a partner (six months ended June 30, 2020 – $1.3 million). The fees are primarily transaction costs related to the Acquisitions and share issue costs incurred in respect of the equity financings completed during the first six months of 2021. Approximately $0.1 million of legal fees are included in the balance of accounts payable and accrued liabilities as at June 30, 2021.

Canoe Acquisition

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

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

c) Balance due to related party

The holder the Convertible Note, ARETI Energy S.A., is a related party under IAS 24 Related Party Disclosures. ARETI became a related party upon closing of the Inception Acquisition, however Spartan and ARETI were arm's length parties prior thereto. As at June 30, 2021, ARETI owns and controls 20,552,997 Spartan shares representing approximately 18.0% of the total number of Spartan common shares issued and outstanding on a non-diluted basis. As part of the pre-acquisition agreement between Inception and Spartan, the Company entered into a nomination rights agreement providing ARETI with the right to nominate one or two directors to Spartan's board of directors, subject to acquiring and maintaining certain minimum shareholding requirements. Steve Lowden and Elliot Weissbluth were appointed to Spartan's board of directors concurrent with closing of the Inception Acquisition on March 18, 2021.

As at June 30, 2021, the carrying amount of the Convertible Note is $39.3 million and the principal amount is $50.0 million.

SUBSEQUENT EVENTS

Velvet Acquisition

On July 28, 2021, Spartan entered into a pre-acquisition agreement (the "Agreement") to acquire Velvet Energy Ltd., a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr, and Pouce Coupe areas of northwest Alberta. Pursuant to the Agreement, Spartan will acquire all issued and outstanding shares of Velvet (the "Velvet Shares") in consideration for: (a) the payment of an aggregate of $355.9 million in cash; and (b) the issuance of an aggregate of approximately 2,962,264 common shares. In addition, Spartan will assume Velvet's net debt estimated to be a maximum of $371.7 million at closing, inclusive of Velvet's transaction costs. The common shares issuable pursuant to the Velvet Acquisition will be subject to escrow, releasable in one-sixth increments beginning on the date that is one month following the closing date and continuing every month thereafter. Closing is expected to occur on or about August 31, 2021, subject to customary closing conditions and regulatory approvals, including the approval of the TSXV and the Commissioner of Competition pursuant to the *Competition Act* (Canada).

The Velvet Acquisition will further consolidate and add material scale to the Company's Montney focused core development area in northwest Alberta, building on the position acquired during the first half of 2021. Production from the Velvet assets is expected to be approximately 20,600 BOE per day at close, consisting of 8,600 bbl/d of oil (42%), 3,000 bbl/d of NGLs (14%) and 54.0 MMcf/d of natural gas (44%). Significant growth opportunities have been identified across the 286,700 gross (281,700 net) acres of high working interest Montney Crown land, on which there is an extensive inventory of identified Montney drilling locations. Spartan expects to benefit from Velvet's Montney expertise on both the technical and operational fronts as the Company continues to develop the resource.

The core assets to be acquired at Gold Creek represent more than 80% of Velvet's current production and include approximately 138,800 net acres (217 net sections) of contiguous Montney rights directly offsetting the Spartan assets acquired pursuant to the Inception Acquisition. The majority of the Velvet Gold Creek lands have been approved under Alberta's Emerging Resource Program, under which 42 existing wells and 34 future locations qualify for an enhanced royalty benefit which extends the 5% Crown royalty until the benefits expire in 2029. Integrated water recycling infrastructure at Gold Creek includes approximately 20 kilometers of produced water pipelines, nine disposal wells and a 100,000 cubic meter water storage pond. This infrastructure will provide a solid foundation for long-term sustainable development by ensuring reliable access to water while minimizing freshwater usage in completion operations.

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

The Company intends to vertically amalgamate Velvet with Spartan concurrent with closing under the name of “Spartan Delta Corp.” Velvet’s tax pools are estimated to be approximately $1.3 billion, including $0.6 billion of non-capital losses, which are expected to further extend the Company’s tax horizon.

The Velvet Acquisition will be funded by a combination of cash on hand and the New Financings which include: (i) a $150.0 million bought deal equity financing; (ii) a five year $150.0 million senior secured term facility, and (iii) a new senior secured revolving credit facility with a borrowing base of up to $450.0 million. Details of the foregoing are provided below.

August 2021 Financing

The Company has entered into an agreement with a syndicate of underwriters (the “Underwriters”), pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought deal basis, 29,703,000 subscription receipts (“Subscription Receipts”) of Spartan at a price of $5.05 per Subscription Receipt for aggregate gross proceeds of approximately $150.0 million. The Underwriters have an option to purchase up to an additional 15% of the Subscription Receipts at a price of $5.05 per Subscription Receipt to cover over allotments (the “Overallotment Option”), exercisable in whole or in part at any time until 30 days after the closing of the August 2021 Financing. The Underwriters will receive a commission of 4% of the gross proceeds of the offering or $6.0 million (excluding any commission that will become payable if the over allotment option is exercised).

The gross proceeds from the sale of the Subscription Receipts will be held in escrow pending the completion of the Velvet Acquisition. If the Velvet Acquisition is completed on or before November 15, 2021, the net proceeds from the sale of the Subscription Receipts will be released from escrow to Spartan and each subscription receipt will automatically be exchanged for one common share for no additional consideration and without any action on the part of the holder. Otherwise, the purchase price for the Subscription Receipts will be returned pro rata to subscribers, together with a pro rata portion of interest earned on the escrowed funds.

New Credit Facility

In connection with the Velvet Acquisition, on July 28, 2021, the Company entered into a commitment letter agreement with National Bank Financial Markets and CIBC, together acting as co-lead arrangers and joint bookrunners, along with TD Securities, BMO Capital Markets, ATB Financial, and Canadian Western Bank (collectively, the "New Lenders") pursuant to which the New Lenders have agreed to fully underwrite and commit to provide the Company with new senior secured extendible revolving credit facilities in the aggregate principal amount of $450.0 million, which will replace the existing $100.0 million Credit Facility effective upon completion of the Velvet Acquisition.

The New Credit Facility will be comprised of extendible revolving credit facilities consisting of a $50.0 million operating loan facility and a $400.0 million syndicated loan facility. The New Credit Facility will have a revolving period of 364 days, extendible annually at the request of the Company, subject to approval of the Lenders. If not extended, the facilities will automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period. The borrowing base will be subject to semi-annual redeterminations occurring by May 31st and by November 30th of each year, based upon the Company's annual independent engineering report or updates thereto. Notwithstanding the foregoing, the first scheduled review of the borrowing base will be completed by May 31, 2022. The New Credit Facility will also be subject to redetermination upon, among other things, the liability management rating of the Company falling below 2.0 or disposing of material properties. The New Credit Facility will be secured by a first fixed and floating charge debenture over all the Company's assets in the amount of $1.0 billion and a general assignment of book debts. The New Credit Facility will bear interest at market interest rates that fluctuate plus a margin based on the net debt to cash flow ratio of the Company. Repayments of principal are not required until the maturity date, provided that the borrowings under the New Credit Facility do not exceed the borrowing base and the Company is in compliance with all covenants, representations and warranties.

The Company will be subject to certain covenants under the terms of the New Credit Facility which include, but are not limited to, the maintenance of the following financial covenants: (i) for the period commencing from the Velvet closing date and ending May 31, 2022, the Company's net debt to cash flow ratio (as defined in the credit agreement) shall not exceed 2.0 to 1.0; and (ii) for so long as the following covenants applies to the Term Facility: (A) the maximum total debt to EBITDA (being, earnings before interest, taxes, depreciation and amortization), calculated quarterly, shall not exceed 2.5 to 1.0, where total debt includes all secured debt under the New Credit Facility and the Term Facility; and (B) the asset coverage ratio of the Company shall not be less than 1.5 to 1.0, calculated annually, as the proved developed producing reserves of the Company (before income tax, discounted at 10%), as evaluated by an independent third party engineering report and evaluated on then strip commodity pricing, divided by the then outstanding total debt balance of the Company. The New Credit Facility will also include other standard business operating covenants, including but not limited to limitations on acquisitions and dispositions, distributions, dividends and hedging arrangements.

Term Facility

In connection with the Velvet Acquisition, a term sheet has also been provided by SAF Infrastructure & Credit LP, facilitated and managed by the SAF Group ("SAF"), to provide a $150.0 million non-revolving term facility to the Company. The Term Facility is a single drawdown facility and will be available solely to finance the Velvet Acquisition, together with reasonable transaction costs and expenses related thereto. The Term Facility will have a sixty-month term and will be secured on a second-priority basis to the New Credit Facility. The Term Facility will be subject to annual reviews and the principal is payable starting on the 37th month at an amortization rate of 7.5% per annum, payable monthly. The Company may repay the outstanding balance under the Term Facility at any time after six months, provided that if repayment occurs after six months and before 36 months after the Term Facility has been provided, the Company shall pay all interest and fees that would have otherwise been payable up to the 36th month. The Term Facility will bear interest at a floating annual interest rate of 7.7%, payable monthly. The Term Facility will also include the same asset coverage and total debt to EBITDA financial covenants as the New Credit Facility, as described above.

Graduation to Toronto Stock Exchange

Spartan has received conditional approval from the Toronto Stock Exchange ("TSX") to list its common shares on the TSX. In connection with its graduation, the common shares will delist from the TSXV. Final approval for TSX listing is subject to Spartan fulfilling certain standard and customary conditions. The trading symbol for the common shares on the TSX will remain unchanged as "SDE".

SUMMARY OF QUARTERLY INFORMATION

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

(CA$ thousands, except as noted)	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	**88,783**	62,356	41,975	37,046	11,401	417	470	293
Net income (loss) and comprehensive income (loss)	**19,664**	59,164	12,358	(7,281)	47,406	(4,820)	(60)	(691)
$ per share, basic	**0.17**	0.87	0.21	(0.13)	1.29	(0.18)	(0.01)	(0.62)
$ per share, diluted	**0.15**	0.73	0.18	(0.13)	1.01	(0.18)	(0.01)	(0.62)
Funds from Operations (1)	**55,351**	36,329	18,239	15,774	1,088	(1,507)	(790)	(396)
Total cash capital expenditures (2)	**19,708**	39,286	14,346	1,178	109,969	376	29	1
Total assets	**729,966**	679,613	331,430	331,730	339,064	30,938	34,245	11,227
Working capital deficit (surplus)	**(101,100)**	(75,846)	21,208	19,577	2,170	(21,719)	(23,538)	(29)
Long-term liabilities	**210,838**	194,379	147,992	166,457	189,206	7,542	7,213	9,292
Shareholders’ equity	**437,730**	414,230	137,540	124,413	130,995	20,818	25,640	1,190
Average daily production (BOE/d)	**39,638**	31,914	26,010	26,282	8,906	251	223	215
% Oil and NGLs	**29%**	28%	31%	31%	30%	17%	20%	17%
Average realized price ($ per BOE)	**26.71**	24.12	18.89	16.19	14.31	16.34	21.33	12.94
Operating Netback ($ per BOE) (1)	**16.89**	14.28	9.59	8.32	5.90	(4.33)	(7.95)	(8.80)

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

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

In April 2020, the Company announced a $64.0 million private placement at a subscription price of $2.00 per share to fund the BXE Asset Acquisition in west central Alberta on June 1, 2020 for total consideration of $108.8 million. The Company recognized a $53.0 million gain on acquisition during the second quarter of 2020.

Commodity prices began to recover in the second half of 2020 from the historic lows observed in the first half of the year and subsequently exceeded pre-pandemic levels during the first and second quarters of 2021. The increase in Operating Netbacks reflects the decrease in per unit operating costs in conjunction with stronger realized prices, partly offset by higher royalties. The Company generated meaningful cost savings through optimization and strategic initiatives with industry partners and reducing its operating expenses following the recapitalization transaction. Per unit operating expenses averaged $22.57, $6.96, $6.10, and $5.68 per BOE during the first, second, third and fourth quarter of 2020, respectively. Spartan's per unit operating expenses averaged $5.34 per BOE during the six months ended June 30, 2021.

Volatility of forecast AECO gas prices had a significant impact on the fair value of derivative financial contracts. The Company's net income (loss) included an unrealized loss of $15.1 million on derivative financial instruments in the third quarter of 2020, partly offset by an unrealized gain of $9.8 million in the fourth quarter, followed by unrealized losses of $1.7 million in the first quarter of 2021 and $9.0 million in the second quarter of 2021.

Spartan's winter and summer drilling programs, along with the acquisition of producing assets in the first quarter of 2021, significantly increased production in the Company's west central Alberta and Gold Creek core areas. Total consideration for the acquisitions closed during the six months ended June 30, 2021 was $163.0 million. Net income for the six months ended June 30, 2021, includes a gain of $35.1 million on the Inception Acquisition. Spartan also raised $124.0 million of gross proceeds through the March 2021 Financings, which included a $79.0 million non-brokered offering and a $45.0 million prospectus offering at $4.00 per common share.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2020 Financial Statements. Newly adopted accounting policies in the first half of 2021 have been described in note 3 of the Interim Financial Statements as at June 30, 2021.

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

In May 2021, the IASB amended IAS 12 Income Taxes ("IAS 12") to address the accounting for deferred taxes for certain types of transactions, such as those involving leases and decommissioning liabilities. The IASB made these changes through an IAS 12 amendment, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which is applicable to periods beginning on or after January 1, 2023. Upon adoption, the amendment may have an impact on deferred taxes recognized under future acquisition transactions completed by the Company.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Except as discussed below, the significant judgments, estimates and assumptions made by management in the financial statements are consistent with those outlined in note 2 of the 2020 Financial Statements.

Asset Acquisitions

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

The impact of accounting for the January 2021 Acquisition as an asset acquisition as opposed to a business combination resulted in an unrecognized deferred tax asset of $41.8 million on initial recognition, in addition to the recognized deferred tax asset of $8.5 million. In the absence of prescriptive guidance under IFRS, judgement was required to determine an appropriate accounting policy pursuant to which the unrecognized tax asset will be recognized in the future. Spartan's accounting policy is to recognize the previously unrecognized non-capital losses in proportion to the estimated amount of taxable income generated each period. For the three and six months ended June 30, 2021, Spartan recognized $10.2 million and $16.4 million, respectively, of the previously unrecognized deferred tax asset. The recovery more than offset deferred income tax expense for the three and six months ended June 30, 2021 and increased net income by $10.2 million and $16.4 million, respectively.

RISKS AND UNCERTAINTIES

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

Market Risks

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

Spartan's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. The Company uses derivative financial instruments to manage market risks. All such transactions are conducted in accordance with the Company's established risk management policies which are unchanged from December 31, 2020.

Commodity Price Risk

Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar. Spartan has natural gas price risk management contracts in place to protect cash flows and project economics. During 2020 and into the first half of 2021, more than two-thirds of the Company's production was natural gas.

The following financial derivative contracts were outstanding as at June 30, 2021:

Contract Type	Remaining Term	Notional Volume (GJ/d)	Fixed Price (CA$/GJ)	Reference Price	Fair value Asset (Liability)
Natural gas fixed	Jul 1, 2021 to Oct 31, 2021	10,000	2.14	AECO 7A	(1,578)
Natural gas fixed	Jul 1, 2021 to Mar 31, 2022	35,000	2.25	AECO 7A	(12,300)
Net derivative instrument financial liability					**(13,878)**

The fair values of these contracts are highly sensitive to changes in the natural gas reference prices. Holding other assumptions constant, if the AECO 7A price increased (decreased) by $0.10 per gigajoule, the fair market value of the net derivative financial instrument liability would increase (decrease) by approximately $1.1 million.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on interest bearing cash deposits and bank debt which bears floating rates of interest. Under the Credit Facility, interest rates fluctuate based on the Canadian prime rate plus an applicable margin ranging from 1.75% to 5.25%, depending upon the Company's then current debt to cash flow ratio of between less than 0.5 times to greater than 4.5 times. The Company's cash is held on deposit in an interest-bearing account with a Canadian chartered bank. Holding all other assumptions constant, the impact of an increase (decrease) in the market rate of interest by 50 basis points would impact Spartan's financial results as follows:

- Based on average bank debt outstanding of $0.9 million during the first six months of 2021, the annualized impact on interest expense would be nominal. Spartan had no bank debt outstanding as at June 30, 2021.
- As at June 30, 2021, Spartan had $128.5 million of cash on hand from net proceeds of equity financings which closed on March 18, 2021. The annualized impact on interest income would be approximately $0.6 million, based on cash deposits outstanding at the end of the quarter.

As at June 30, 2021, there are no interest rate risk management contracts outstanding.

Currency Risk

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum and natural gas sales are currently conducted in Canada and are denominated in Canadian dollars. Spartan is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The CA$/US$ exchange rate closed at 1.239 on June 30, 2021 (December 31, 2020 – 1.273) and averaged 1.228 CA$/US$ during the second quarter of 2021 as compared to an average of 1.266 CA$/US$ during the first quarter. The Canadian dollar strengthened relative to the U.S. dollar during the second quarter. All else being equal, a weakening of the U.S. dollar has a negative impact on Canadian dollar equivalent commodity prices resulting in lower realized pricing for the Company. As at June 30, 2021, there were no foreign exchange risk management contracts outstanding.

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at June 30, 2021 include accounts payable, derivative financial instrument liabilities, bank debt and a convertible promissory note. In addition, the Company has financial commitments in respect of lease liabilities and expects to settle certain decommissioning obligations within the next twelve months.

The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations. During the first quarter of 2021, Spartan temporarily advanced $15.0 million on the Credit Facility to fund the cash purchase price for the Simonette Acquisition which was subsequently repaid in full with net proceeds of the equity financings. As at June 30, 2021, Spartan had $128.5 million of cash on hand and no bank debt outstanding on its $100.0 million Credit Facility.

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

Credit Risk

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

ABBREVIATIONS

A&D	Acquisitions and Dispositions
AECO-C	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System, the Canadian benchmark price for natural gas
API	American Petroleum Institute gravity
bbl	barrel
bbls/d	barrels per day
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
CEWS	Canada Emergency Wage Subsidy
COVID-19	refers to the outbreak of the novel coronavirus, a public health crisis
DCET	Capital expenditure incurred to drill, complete, equip and tie-in a well
G&A	general and administrative expenses
G&G	geological and geophysical expenses
GAAP	refers to Canadian Generally Accepted Accounting Principles, which incorporate International Financial Reporting Standards ("IFRS") for public companies
GJ	gigajoule
LMR	Liability Management Rating of the Alberta Energy Regulator
mbbls	one thousand barrels
mBOE	one thousand barrels of oil equivalent
mcf or MCF	one thousand cubic feet
mcf/d	one thousand cubic feet per day
MMBtu	one million British thermal units
mmcf	one million cubic feet
mmcf/d	one million cubic feet per day
nm	"not meaningful", generally with reference to a percentage change
NCL	non-capital losses
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
Q1 2021	First quarter of 2021
Q2 2021	Second quarter of 2021
Q2 2020	Second quarter of 2020

SRP	Site Rehabilitation Program of the Alberta government
TSX	Toronto Stock Exchange
US$	United States dollar
WTI	West Texas Intermediate, price paid in US$ at Cushing, Oklahoma, for crude oil of standard grade

FORWARD-LOOKING STATEMENTS

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

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

- the intentions of management and the Company with respect to its growth strategy and business plan;
- Spartan's intention to maintain a flexible capital structure;
- Spartan's intentions to maintain a strong balance sheet to allow the Company to take advantage of opportunities;
- the estimated amount of net debt assumed on the Inception Acquisition and the Canoe Acquisition;
- the estimated amount of closing adjustments to the purchase price for the Simonette Acquisition, the Willesden Green Acquisition and the Gold Creek Property Acquisitions;
- the estimated amount of liabilities assumed and included in the purchase price for the BXE Asset Acquisition;
- the estimated fair value of the assets and liabilities acquired through the Acquisitions, and the resulting gain on the Inception Acquisition;
- anticipated benefits of the Acquisitions, including but not limited to: estimates of current production and weighting of crude oil, NGLs and natural gas; future growth opportunities; the expectation that the Acquisitions will provide multiple years of development drilling inventory; and estimated tax pools associated with the Acquisitions;
- anticipated operational results for 2021 and 2022 including, but not limited to, estimated or anticipated production levels, Operating Netbacks, Adjusted Funds Flow, capital expenditures, Free Funds Flow, Net Debt (Surplus), future common shares outstanding and other information discussed under "Outlook and Guidance" in this MD&A;
- the New Financings, including the use of proceeds from the New Financings;
- the anticipated closing and other assumptions regarding the Velvet Acquisition (see “Subsequent Events”);
- the completion of the New Financings including the amount and timing thereof;
- the anticipated benefits of the Velvet Acquisition, including the impact of the Velvet Acquisition on the Company's operations, financial condition, available tax pools, access to capital and overall strategy;
- the listing of the Subscription Receipts issued pursuant to the August 2021 Financing, including any Subscription Receipts issued pursuant to the exercise of the Overallotment Option;
- expectations with respect to production, Operating Netbacks, Operating Income, Adjusted Funds Flow, Free Funds Flow, capital expenditures and Net Debt (Surplus) relating to Velvet and Spartan following the Velvet Acquisition, as well as Net Debt assumed by the Corporation on the Velvet closing date;
- development and drilling plans for the Velvet assets, including timing of results therefrom;
- projections of commodity prices and costs;
- Spartan’s objective to maintain an industry leading Liability Management Rating;
- estimated future development capital expenditures required to develop total proved plus probable reserves;
- capital resources and liquidity, including Spartan’s expectations regarding sources of funding for future development capital expenditures and acquisitions;
- estimates used to calculate the lease liabilities, decommissioning obligations, depletion and impairment of PP&E, and deferred income tax assets and liabilities;
- expectations of challenging long-term market conditions and Spartan's position to withstand future commodity price volatility;

- the estimated amount of decommissioning costs expected to be recovered through funding under the Alberta government's Site Rehabilitation Program;
- commitments and contingencies; and
- expectations for forecast commodity prices in 2021 and beyond.

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

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include:
- failure to realize the anticipated benefits of the Acquisitions completed during the first half of 2021;
- failure to realize the anticipated benefits of the Velvet Acquisition;
- synergies of the Acquisitions may be delayed or realized in a lesser amount than initially expected;
- unforeseen difficulties integrating the assets to be acquired pursuant to Acquisitions into Spartan's operations;
- unforeseen difficulties in integrating the business of Velvet into the Company's operations;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic;
- the material uncertainties and risks described under the heading "Risks and Uncertainties" in this MD&A and in the Company's most recent Annual Information Form dated March 31, 2021;
- the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- inability to complete the Velvet Acquisition;
- the conditions to the completion of the New Financings may not be satisfied;
- the use of proceeds of the New Financings by the Company may change if Spartan's board of directors determines that it would be in the best interests of the Company to deploy the proceeds for some other purpose;
- incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs (including the Velvet Acquisition);
- volatility in market prices for oil and natural gas;
- uncertainties associated with estimating oil and natural gas reserves and the ability of the Company to realize value from its properties;
- geological, technical, drilling and processing problems;
- facility and pipeline capacity constraints and access to processing facilities and to markets for production;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- fluctuations in the costs of borrowing;

- marketing and transportation;
- prevailing weather and break-up conditions;
- environmental risks;
- adverse effects on general economic conditions in Canada, the United States and globally, including due to the COVID-19 pandemic and related variants;
- 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, increased supply resulting from evolving exploitation methods, the attitude of lenders and investors towards corporations in the energy industry, potential changes to royalty and taxation regimes and to environmental and other government regulations, the condition of financial markets generally, as well as the stability of joint venture and other business partners, all of which are outside the control of the Company. Also to be considered are increased levels of political uncertainty and possible changes to existing international trading agreements and relationships. Legal challenges to asset ownership, limitations to rights of access and adequacy of pipelines or alternative methods of getting production to market may also have a significant effect on the Company's business. Additional information on these and other factors that could affect the business, operations or financial results of Spartan are included in reports on file with applicable securities regulatory authorities, including (but not limited to) the AIF, which may be accessed on Spartan's SEDAR profile at www.sedar.com or on the Company's website at www.spartandeltacorp.com.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI"), including about Spartan's guidance with respect to budgeted capital expenditures and prospective results of operations for 2021 and 2022, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs and outlined under the headings “Outlook and Guidance” and "Non-GAAP Measures".

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