SPARTAN DELTA CORP.

SPARTAN DELTA CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2022 AND 2021

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[UNAUDITED]

(CA$ thousands)	[Note]	**June 30, 2022**	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		**6,033**	1,245
Accounts receivable	[4]	**150,859**	96,741
Prepaid expenses and deposits		**12,798**	5,104
Other current assets	[5]	**14,717**	6,800
Derivative financial instruments	[4]	**10,693**	268
Total current assets		**195,100**	110,158
Derivative financial instruments	[4]	**170**	-
Other non-current assets	[6]	**-**	7,500
Exploration and evaluation assets	[7]	**102,450**	102,596
Property, plant and equipment	[8]	**1,399,023**	1,327,479
Right-of-use assets	[9]	**46,727**	51,789
Deferred income tax asset	[14]	**68,255**	142,892
Total assets		**1,811,725**	1,742,414
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[4]	**214,100**	176,971
Derivative financial instruments	[4]	**46,479**	52,783
Lease liabilities	[9]	**9,094**	10,206
Decommissioning obligations	[10]	**5,200**	3,614
Total current liabilities		**274,873**	243,574
Derivative financial instruments	[4]	**4,170**	11,806
Long-term debt	[11]	**226,762**	387,564
Lease liabilities	[9]	**40,872**	44,590
Decommissioning obligations	[10]	**125,254**	168,231
Total liabilities		**671,931**	855,765
SHAREHOLDERS' EQUITY			
Share capital	[13]	**525,794**	517,192
Warrants	[13]	**9,452**	9,725
Contributed surplus		**18,239**	16,340
Retained earnings		**586,309**	343,392
Total shareholders' equity		**1,139,794**	886,649
Total liabilities and shareholders' equity		**1,811,725**	1,742,414
Commitments and contingencies	[20]		
Subsequent events	[22]		

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

Approved on behalf of the Board of Directors:

[signed] "Richard McHardy"
Richard McHardy, Director

[signed] "Donald Archibald"
Donald Archibald, Director

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
[UNAUDITED]

		Three months ended June 30		Six months ended June 30	
(CA$ thousands, except per share amounts)	[Note]	**2022**	2021	**2022**	2021
Revenue					
Oil and gas sales	[15]	**437,699**	96,356	**760,123**	165,639
Royalties	[15]	**(57,676)**	(10,451)	**(89,456)**	(19,168)
Oil and gas sales, net of royalties		**380,023**	85,905	**670,667**	146,471
Pipeline transportation	[16]	**-**	-	**1,364**	-
Processing and other		**1,960**	2,878	**4,338**	4,668
		381,983	88,783	**676,369**	151,139
Loss on derivative financial instruments	[4]	**(2,496)**	(10,949)	**(73,205)**	(15,651)
Expenses					
Operating		**60,943**	20,075	**115,602**	34,609
Transportation		**18,530**	5,829	**36,540**	9,684
Pipeline transportation	[16]	**-**	-	**1,718**	-
General and administrative		**6,559**	4,800	**12,339**	8,293
Share based compensation	[13]	**3,135**	1,949	**5,658**	2,939
Financing	[17]	**8,556**	1,373	**16,782**	2,769
Depletion, depreciation and impairment	[7,8,9]	**47,853**	18,220	**93,158**	27,444
		145,576	52,246	**281,797**	85,738
Other income (expenses)					
Write down of other non-current assets	[21]	**-**	-	**(7,500)**	-
Gain on sale of assets	[6]	**936**	121	**1,653**	153
Gain on acquisition	[6]	**-**	-	**-**	35,134
Transaction costs	[6]	**-**	(161)	**(24)**	(849)
Other income		**304**	893	**1,636**	1,527
Premium on flow-through shares	[13]	**-**	838	**-**	838
Change in fair value of convertible note	[12]	**-**	(13,560)	**-**	(14,016)
Foreign exchange gain		**384**	-	**425**	-
		1,624	(11,869)	**(3,810)**	22,787
Net income before income taxes		**235,535**	13,719	**317,557**	72,537
Deferred income tax expense (recovery)	[14]	**53,795**	(5,945)	**74,640**	(6,291)
Net income and comprehensive income		**181,740**	19,664	**242,917**	78,828
Net income per share					
Basic	[13]	**1.17**	0.17	**1.58**	0.86
Diluted	[13]	**1.05**	0.15	**1.41**	0.75

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

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

(CA$ thousands)	[Note]	Share capital	Warrants	Contributed surplus	Retained earnings	Total
Balance at December 31, 2021		**517,192**	**9,725**	**16,340**	**343,392**	**886,649**
Net income and comprehensive income		**-**	**-**	**-**	**242,917**	**242,917**
Common shares issued, net of costs:						
Warrants exercised	[13]	**718**	**(273)**	**-**	**-**	**445**
Stock options exercised	[13]	**5,418**	**-**	**(1,672)**	**-**	**3,746**
Issue costs, net of deferred tax	[13]	**(9)**	**-**	**-**	**-**	**(9)**
Share awards released on vesting	[13]	**2,475**	**-**	**(2,475)**	**-**	**-**
Share based compensation expense		**-**	**-**	**6,046**	**-**	**6,046**
Balance at June 30, 2022		**525,794**	**9,452**	**18,239**	**586,309**	**1,139,794**
Balance at December 31, 2020		108,481	9,891	9,996	9,172	137,540
Net income and comprehensive income		-	-	-	78,828	78,828
Common shares issued, net of costs:						
Equity offerings		124,005	-	-	-	124,005
Deferred premium on flow-through shares		(10,098)	-	-	-	(10,098)
Pursuant to acquisitions		107,263	-	-	-	107,263
Issue costs, net of deferred tax		(3,200)	-	-	-	(3,200)
Warrants exercised		210	(80)	-	-	130
Stock options exercised		458	-	(135)	-	323
Share based compensation expense		-	-	2,939	-	2,939
Balance at June 30, 2021		327,119	9,811	12,800	88,000	437,730

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

SPARTAN DELTA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW
[UNAUDITED]

		Three months ended June 30		Six months ended June 30	
(CA$ thousands)	[Note]	**2022**	2021	**2022**	2021
Operating activities					
Net income		**181,740**	19,664	**242,917**	78,828
Items not affecting cash:					
Unrealized (gain) loss on derivatives	[4]	**(38,112)**	9,002	**10,171**	10,741
Unrealized foreign exchange loss		**429**	-	**381**	-
Share based compensation		**3,135**	1,949	**5,658**	2,939
Financing	[17]	**866**	1,324	**1,563**	2,364
Depletion, depreciation and impairment		**47,853**	18,220	**93,158**	27,444
Write down of other non-current assets	[21]	**-**	-	**7,500**	-
Gain on acquisition		**-**	-	**-**	(35,134)
Gain on sale of assets		**(936)**	(121)	**(1,653)**	(153)
Other income	[10]	**(306)**	(886)	**(1,002)**	(987)
Premium on flow-through shares		**-**	(838)	**-**	(838)
Change in fair value of convertible note		**-**	13,560	**-**	14,016
Deferred income tax expense (recovery)		**53,795**	(5,945)	**74,640**	(6,291)
Settlement of acquired derivative liabilities	[4]	**(13,106)**	-	**(34,706)**	-
Settlement of decommissioning obligations	[10]	**(713)**	(578)	**(1,940)**	(1,249)
Change in non-cash working capital	[18]	**1,362**	(7,323)	**(22,840)**	(11,545)
Cash provided by operating activities		**236,007**	48,028	**373,847**	80,135
Financing activities					
Advances of long-term debt, net of costs	[11]	**136,942**	-	**240,948**	15,000
Repayments of long-term debt	[11]	**(266,750)**	-	**(401,750)**	(15,000)
Issue of common shares, net of costs	[13]	**3,939**	406	**4,179**	120,302
Lease payments	[9]	**(2,271)**	(2,555)	**(4,616)**	(4,955)
Change in non-cash working capital	[18]	**-**	(250)	**-**	-
Cash provided by (used in) financing activities		**(128,140)**	(2,399)	**(161,239)**	115,347
Investing activities					
Exploration and evaluation assets	[7]	**(560)**	(1,008)	**(2,444)**	(1,388)
Property, plant and equipment	[8]	**(90,076)**	(8,394)	**(196,176)**	(27,296)
Acquisitions	[6]	**(5)**	(10,393)	**97**	(30,459)
Dispositions	[6]	**379**	87	**844**	149
Corporate acquisitions, cash acquired	[6]	**-**	-	**-**	1,570
Change in non-cash working capital	[18]	**(12,923)**	(7,036)	**(9,868)**	(12,258)
Cash used in investing activities		**(103,185)**	(26,744)	**(207,547)**	(69,682)
Net change in cash and cash equivalents		**4,682**	18,885	**5,061**	125,800
Foreign exchange on cash and cash equivalents		**(201)**	-	**(273)**	-
Cash and cash equivalents, beginning of year		**1,552**	109,601	**1,245**	2,686
Cash and cash equivalents, end of period		**6,033**	128,486	**6,033**	128,486

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

1. GENERAL INFORMATION

Spartan Delta Corp. (“Spartan” or the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. These financial statements include the consolidated balances of all subsidiaries (note 21), however the Company does not have any material subsidiaries as at June 30, 2022. Spartan’s common shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “SDE”. The Company’s head office is located at 1500, 308 – 4th Avenue S.W., Calgary, Alberta T2P 0H7 and its registered office address is 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements as at June 30, 2022 (the “Financial Statements”) are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. Certain disclosures included in the notes to the annual financial statements have been condensed in the following interim note disclosures or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited consolidated annual financial statements for the year ended December 31, 2021 (the “2021 Annual Financial Statements”).

The Company’s Board of Directors approved these Financial Statements on August 9, 2022.

b) Basis of measurement

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

The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value as detailed in the accounting policies disclosed in note 4 of the Financial Statements.

c) Significant estimates and judgements

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgements, estimates and assumptions made by management in these Financial Statements are consistent with those outlined in note 2 of the 2021 Annual Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2021 Annual Financial Statements. The Financial Statements at June 30, 2022 have been prepared following the same accounting policies and methods of computation as the most recent consolidated annual financial statements as at and for the year ended December 31, 2021.

The IASB has issued a number of new accounting standards, amendments to accounting standards, and interpretations that are effective for annual periods beginning on or after January 1, 2022. None of the accounting pronouncements had, or 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.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2022, financial instruments of the Company include cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, derivative financial instruments and long-term debt. The fair values of these financial assets and liabilities, excluding long-term debt, approximate their carrying value due to the short term to maturity of those instruments. The fair value of long-term debt approximates its carrying value given it bears floating rates of interest (note 11). The methodology used to determine the fair value for the Company's derivative financial instruments is described further in this note. Lease liabilities are financial liabilities measured at amortized cost.

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

Risk Management Overview

Spartan's risk management objective is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. The Company uses derivative financial instruments to manage market risks and has certain minimum hedging requirements under its Credit Facility (defined in note 11). All such transactions are conducted in accordance with the Company's established risk management policies that permit management to enter into derivative financial contracts, provided that: (i) the contracts are not entered into for solely speculative purposes; (ii) the aggregate quantity hedged, at the time of entering into the contract, does not exceed 75% of future forecasted average daily production; and (iii) the contracted term does not exceed 36 months.

a) Credit Risk

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

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

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Oil and gas marketers	**143,816**	90,807
Joint venture partners	**7,043**	5,934
Accounts receivable	**150,859**	96,741

During the six months ended June 30, 2022, sales to three oil and gas marketers each individually represented more than 10% of revenue. Sales to these marketers account for approximately 37%, 12% and 10% of total oil and gas sales revenue (before royalties) in the first six months of 2022, respectively. During the previous year ended December 31, 2021, sales to these marketers accounted for approximately 27%, 13% and 10% of total oil and gas sales revenue (before royalties), respectively. Spartan's oil and gas marketers are primarily large, credit-worthy institutions.

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

(CA$ thousands)	Current	30-60 days	60-90 days	Over 90 days	Total
Balance at June 30, 2022	**145,961**	**2,461**	**1,013**	**1,424**	**150,859**
Balance at December 31, 2021	93,490	1,633	381	1,237	96,741

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Management has reviewed past due accounts receivable balances as at June 30, 2022 and expects the accounts to be collectible, except for approximately $1.7 million of accounts receivable which are provided for in the expected credit loss provision ($1.1 million at December 31, 2021).

b) Liquidity Risks

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at June 30, 2022 include accounts payable, derivative financial instrument liabilities and long-term debt. In addition, the Company has financial commitments in respect of lease liabilities (note 9). Spartan also expects to settle approximately $5.2 million of decommissioning obligations in the next twelve months (note 10), however the current portion of decommissioning obligations is not included in this note because the timing of expenditure is discretionary.

The Company prepares and regularly updates its capital and operating budget to forecast future cash flows to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations. As at June 30, 2022, Spartan had $150.0 million outstanding under its second lien term facility and $83.0 million of bank debt outstanding on its revolving credit facility with an authorized borrowing amount of $450.0 million (note 11). The Company has sufficient liquidity to meet its financial obligations for the next 12 months.

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at June 30, 2022:

(CA$ thousands)	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	214,100	-	-	-	214,100
Derivative financial instrument liabilities	46,479	4,170	-	-	50,649
Bank debt (1)	4,731	87,355	-	-	92,086
Second lien term facility (2)	14,175	37,341	155,275	-	206,791
Undiscounted lease liabilities (3) (note 9)	11,787	33,908	9,927	2,223	57,845
Total	**291,272**	**162,774**	**165,202**	**2,223**	**621,471**

(1) Includes principal and estimated interest and standby fee payments on the Credit Facility (defined in note 11). For purposes of the above table, principal repayment is assumed on the term maturity date of May 30, 2024. The Company expects the Credit Facility to be extended at the end of the current revolving period, however the extension is not guaranteed and terms of the renewal are subject to approval of the lenders.

(2) Includes principal and estimated interest and fee payments on the Term Facility (defined in note 11). Mandatory principal repayments of approximately $0.9 million per month commence on September 1, 2024 and the remaining balance of $127.5 million is repayable on the maturity date of August 31, 2026.

(3) As at June 30, 2022, the present value of the Company's total lease liability is $50.0 million, of which $9.1 million is expected to be settled in the next twelve months.

c) Market Risks

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

The Company utilizes both derivative financial instruments and physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the Company's risk management policies.

Commodity price risk

Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar.

The Company has various commodity price risk management contracts in place to reduce volatility of cash flows in order to fund capital expenditures and protect project economics. The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as at June 30, 2022:

	Natural Gas (1)						Crude Oil (1)	
	NYMEX Henry Hub Swaps (2)		NYMEX Henry Hub Collars (3)(4)		NYMEX – AECO 7A Basis Swaps – Short (2)		US$ WTI Swaps (5)	
Period	Volume mmbtu/d	US$/ mmbtu	Volume mmbtu/d	Floor – Ceiling US$/mmbtu	Volume mmbtu/d	US$/ mmbtu	Volume bbl/d	US$/bbl
Q3 2022	55,000	3.70	30,000	$2.70 - $2.90	85,000	($1.13)	-	-
Q4 2022	35,109	3.34	30,000	$3.40 - $6.47	85,000	($1.15)	-	-
Q1 2023	26,389	2.83	30,000	$3.75 - $8.25	85,000	($1.13)	-	-
Q2 2023	10,000	2.65	-	-	85,000	($1.09)	-	-
Q3 2023	10,000	2.65	-	-	85,000	($1.08)	-	-
Q4 2023	10,000	2.65	-	-	85,000	($1.08)	-	-
Asset (6) (Liability)	**($36.2) million**		**($14.5) million**		**$11.1 million**		**Nil**	

(1) The prices and volumes in this table represent averages for contracts represented in the respective periods.
(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(3) Represent collar positions with a floor price (long put) and a price ceiling (short call) for Spartan.
(4) Floor and ceiling represent the average strike price of the long put and short call positions.
(5) As of June 30, 2022, the Company's oil production is unhedged.
(6) The above table includes the financial derivative asset (liability) for the Company's commodity contracts, but does not include the $0.2 million financial derivative liability related to foreign exchange contracts discussed below.

In February 2022, Spartan entered into financial contracts to fix the NYMEX Henry Hub natural gas price at US$4.54/mmbtu on notional volumes of 30,000 mmbtu/d from April 1 to October 31, 2022. The Company also contracted to fix the U.S. dollar exchange rate at $1.27 on a notional US$3.0 million per month. Together, these contracts effectively converted the Company's unmatched AECO basis positions outstanding as of December 31, 2021, into AECO fixed price swaps at a Canadian dollar equivalent price of approximately $4.10 per gigajoule on 30,000 mmbtu/d (approximately 31,650 GJ/d) through summer 2022. The Company also entered into financial collars on NYMEX Henry Hub natural gas financial contract collars, with a floor price of US$3.75/mmbtu and a ceiling of US$8.25/mmbtu, on notional volumes of 30,000 mmbtu/d from November 1, 2022 to March 31, 2023.

Foreign exchange risk

Currency risk is the risk that future cash flows will change as a result of fluctuations of the Canadian to U.S. dollar exchange rate. Spartan is exposed to currency risk given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The Company is also exposed to currency fluctuations through its U.S. dollar denominated derivatives and commodity sales. In addition, Spartan is exposed to currency risk on U.S. cash, accounts receivable and accounts payable balances, however the Company's currency exposure based on U.S. dollar denominated working capital balances outstanding at June 30, 2022 and at December 31, 2021 was not significant.

Spartan may enter into foreign exchange risk management contracts from time-to-time to manage currency risk on the Company's U.S. dollar denominated cash flows. During the first quarter, the Company contracted to fix the U.S. dollar exchange rate at $1.27 on a notional US$3 million per month in connection with the new natural gas contracts described above. The fair value of the foreign exchange contracts resulted in a derivative financial instrument liability of approximately $0.2 million at June 30, 2022.

As at December 31, 2021, Spartan had short-term foreign exchange forward swaps in place to fix the exchange rate between the timing of collection of U.S. dollar revenues to payment of U.S. dollar hedge settlements. The fair value of the foreign exchange contracts resulted in a current derivative financial instrument liability of $0.1 million at December 31, 2021.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on long-term debt which bears floating rates of interest. Under the Credit Facility (note 11), interest rates fluctuate based on the bank prime rate plus an applicable margin, which varies based on the Company's net debt to cash flow ratio each quarter. Under the Term Facility (note 11), interest fluctuates based on the bank prime rate, however the spread is fixed at 5.25%. Based on the balance of long-term debt outstanding at June 30, 2022, an increase (decrease) in the market rate of interest by 50 basis points would increase (decrease) annualized interest expense by approximately $1.2 million.

Summary of derivative financial instrument assets and liabilities

The fair value of the Company's outstanding risk management contracts resulted in a net derivative financial instrument liability of $39.8 million at June 30, 2022, compared to a liability of $64.3 million at December 31, 2021. The change in the Company's derivative financial instruments assets and liabilities is summarized below:

(CA$ thousands)	**Current**	**Long-term**	**Total**
Balances at June 30, 2022:			
Derivative financial instrument assets	10,693	170	10,863
Derivative financial instrument liabilities	(46,479)	(4,170)	(50,649)
Net liability	**(35,786)**	**(4,000)**	**(39,786)**
Balances at December 31, 2021:			
Derivative financial instrument assets	268	-	268
Derivative financial instrument liabilities	(52,783)	(11,806)	(64,589)
Net liability	**(52,515)**	**(11,806)**	**(64,321)**
Reconciliation of net change during the year:			
Unrealized loss recognized in net income			(10,171)
Settlement of acquired derivative liabilities (1)			34,706
Total change in derivative financial instruments			**24,535**

(1) The Company acquired a derivative financial instrument liability with a fair value of $94.2 million on August 31, 2021 (note 6), of which $33.4 million was subsequently settled during the year ended December 31, 2021 and $34.7 million was settled during the six month period ended June 30, 2022.

The fair values of derivative financial instruments are designated as Level 2 in the fair value hierarchy and are highly sensitive to changes in underlying commodity prices. The table below illustrates the stand-alone impact of changes in specified benchmark prices and differentials on net income before income taxes, holding all other variables constant, of risk management contracts in place as at June 30, 2022:

(CA$ thousands)	Change in price / differential	Positive movement	Negative movement
NYMEX Henry Hub ("HH")	+/- US$ 0.25 per mmbtu	(6,962)	6,962
NYMEX HH-AECO 7A Basis [(1)]	+/- US$ 0.10 per mmbtu	(6,007)	6,007
CA$/US$ exchange rate	+/- $ 0.05	(772)	772

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

Gains and losses on derivative financial instruments

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2022**	2021	**2022**	2021
Realized loss	**(40,608)**	(1,947)	**(63,034)**	(4,910)
Unrealized gain (loss)	**38,112**	(9,002)	**(10,171)**	(10,741)
Loss on derivative financial instruments	**(2,496)**	(10,949)	**(73,205)**	(15,651)

5. OTHER CURRENT ASSETS

In December 2021, the Company entered into an agreement with an industry partner to construct infrastructure in its core operating area at Gold Creek, Alberta. The infrastructure will be constructed by the Company and transferred to the industry partner upon completion of construction in consideration for the purchase price. As of June 30, 2022, Spartan had incurred approximately $14.7 million of construction costs which are presented as other current assets on the Consolidated Statement of Financial Position (December 31, 2021: $6.8 million). Instalment payments received at June 30, 2022 are offset by a deferred obligation included in the balance of accounts payable and accrued liabilities until the project is completed and title is transferred, which is expected within twelve months.

Pursuant to the agreement, Spartan committed to drill and tie-in a minimum of 16 wells over a three-year period ending December 31, 2024 (see also, note 20). As of June 30, 2022, Spartan had drilled nine qualifying wells and expects to fully satisfy its commitment for the remaining seven wells with its planned capital expenditure budget for 2022. In the event Spartan does not satisfy its minimum drilling commitments, the Company would be subject to a penalty of $2.1 million per well.

6. ACQUISITIONS AND DISPOSITIONS

2022 Acquisitions and Dispositions

During the six months ended June 30, 2022, the Company completed an undeveloped land acquisition for cash consideration of $0.1 million (note 7) and received $0.8 million of cash proceeds on minor property dispositions which resulted in a gain on sale of assets of $1.7 million during the first half of 2022 as a result of disposing of associated decommissioning liabilities.

2021 Acquisitions

During the previous year ended December 31, 2021, Spartan executed on its acquisitive growth strategy and closed a series of corporate and property acquisitions which established a second core development area targeting the Montney in northwest Alberta. On March 18, 2021, the Company acquired Inception Exploration Ltd. ("Inception") with core assets located at Gold Creek for total consideration of $121.0 million including net debt (the "Inception Acquisition") and acquired assets located primarily in the Simonette area for $20.5 million (the "Simonette Acquisition"). On August 31, 2021, Spartan closed the acquisition of Velvet Energy Ltd. ("Velvet"), a privately held light-oil Montney producer with operations primarily in the Gold Creek, Karr, and Pouce Coupe areas of northwest Alberta, for total consideration of approximately $754.7 million including net debt (the "Velvet Acquisition"). Spartan also completed several smaller tuck-in acquisitions throughout 2021 to build upon the Company's core land holdings in the Alberta Montney and Deep Basin, including an acquisition of producing assets at Ferrier for $35.8 million, net of working capital, which closed on September 3, 2021 (the "Ferrier Acquisition").

Total consideration for the acquisitions completed during 2021 was $569.8 million, comprised of: $424.0 million of cash consideration after closing adjustments; the issuance of 30.5 million common shares valued at $120.5 million; and the issuance of a convertible promissory note with an acquisition date fair value of $25.3 million. In addition, Spartan assumed net debt of $387.5 million in connection with the corporate acquisitions. Transaction costs of $4.0 million in aggregate were expensed in 2021 in respect of acquisitions accounted for as business combinations under IFRS 3.

The following table summarizes the aggregate consideration paid for acquisitions during the year ended December 31, 2021 and the estimated fair value of the net identifiable assets acquired on the respective acquisition dates:

2021 ACQUISITION SUMMARY *(CA$ thousands)*	**Inception Mar18/21**	**Simonette Mar18/21**	**Velvet Aug31/21**	**Ferrier Sep3/21**	**Other Various**	**Total 2021**
Cash consideration, after adjustments	-	14,659	355,879	37,500	15,934	423,972
Common share consideration	92,089	5,794	13,231	-	9,380	120,494
Convertible promissory note	25,293	-	-	-	-	25,293
Total consideration	**117,382**	**20,453**	**369,110**	**37,500**	**25,314**	**569,759**
Net working capital (3)	(3,620)	-	(33,137)	1,659	129	(34,969)
Indebtedness repaid at closing	-	-	(352,488)	-	-	(352,488)
Net (debt) surplus assumed or repaid (3)	**(3,620)**	**-**	**(385,625)**	**1,659**	**129**	**(387,457)**
Derivative financial instrument liability, net	-	-	(94,203)	-	-	(94,203)
Other non-current assets (note 21)	7,500	-	-	-	-	7,500
Exploration and evaluation assets	7,163	3,053	60,757	460	10,844	82,277
Property, plant and equipment (1)	109,976	35,577	753,167	43,972	8,998	951,690
Right-of-use assets	1,048	-	4,364	-	-	5,412
Lease liabilities	(1,048)	-	(4,435)	-	-	(5,483)
Decommissioning obligations (2)	(1,800)	(18,177)	(10,370)	(341)	(3,104)	(33,792)
Deferred income tax asset	33,899	-	134,459	(5,136)	8,447	171,669
Fair value of net assets acquired	**153,118**	**20,453**	**458,114**	**40,614**	**25,314**	**697,613**
Gain on acquisition	**(35,736)**	**-**	**(89,004)**	**(3,114)**	**-**	**(127,854)**
Total consideration including net debt (4)	**121,002**	**20,453**	**754,735**	**35,841**	**25,185**	**957,216**

(1) The fair value of property, plant and equipment ("PP&E") acquired was estimated based on fair value less costs of disposal ("FVLCD") methodology (Level 3 fair value measurement), calculated using the present value of the expected future cash flows after-tax. The projected cash flows used in the FVLCD calculation were derived from reports on the acquired oil and gas reserves.

(2) The aggregate fair value of decommissioning obligations acquired of $33.8 million was estimated by discounting the inflated cost estimates using "credit-adjusted risk-free rates" ranging from 6.1% to 7.0% on the respective closing dates of the acquisitions. Subsequent

remeasurement of the decommissioning obligations acquired at a risk-free rate under Spartan's accounting policy resulted in an increase in the present value of decommissioning obligations acquired by $36.9 million to $70.7 million in aggregate.

(3) (i) Net working capital includes cash acquired on corporate acquisitions of $24.6 million in aggregate. (ii) For purposes of this table only, net debt (and the components thereof) is presented as a negative number and the net surplus (and the components thereof) is presented as a positive number.

(4) "Total consideration including net debt" does not have a standardized meaning under IFRS. It is presented here to provide the reader with useful information to understand the total transaction value inclusive of cash, share and debt consideration.

Spartan recognized gains on certain acquisitions completed during 2021 as the fair value of consideration paid was less than the fair value of the net assets acquired. The total gain of $127.9 million for the year ended December 31, 2021 includes gains of $35.7 million on the Inception Acquisition, $89.0 million on the Velvet Acquisition and $3.1 million on the Ferrier Acquisition. The gains recognized on the acquisitions of Inception and Velvet are primarily attributed to significant tax pools assumed by acquiring the corporate entities and the resulting deferred income tax assets. The gain on the Ferrier Acquisition is attributed to the distressed nature of the transaction which was completed through a court supervised restructuring process.

The Consolidated Statements of Net Income and Comprehensive Income for the six months ended June 30, 2021 includes the results of operations for acquisitions completed in the first half of 2021, starting from the closing date. Specifically, Spartan's net income for the six months ended June 30, 2021, includes $18.0 million of revenue (after royalties) and $12.5 million of operating income generated from the closing dates to June 30, 2021. "Operating income" does not have a standardized meaning under IFRS. For purposes of this pro-forma disclosure, the Company has calculated operating income as revenue (after royalties), less operating and transportation expenses. If all the above noted acquisitions had occurred on January 1, 2021, pro-forma revenue and operating income is estimated to be approximately $186.5 million and $117.1 million, respectively, for the six months ended June 30, 2021 from these acquisitions. This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

7. EXPLORATION AND EVALUATION ASSETS

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

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Balance, beginning of year	**102,596**	2,538
Additions	**2,444**	18,140
Acquisitions (note 6)	**105**	82,277
Dispositions	**(2)**	-
Transfers to property, plant and equipment (note 8)	**(1,834)**	(262)
Expired mineral leases [1]	**(859)**	(97)
Balance, end of period	**102,450**	102,596

(1) The amount of expired mineral leases expensed is presented in "depletion, depreciation and impairment" expense.

Spartan assessed its E&E assets for indicators of potential impairment as at June 30, 2022 and concluded there are no indicators of impairment.

8. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment includes development and production assets ("D&P") and corporate assets. D&P assets include the Company's interests in developed crude oil and natural gas properties, as well as interests in facilities and pipelines.

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

Property, plant and equipment, at cost	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	284,507	498	285,005
Additions [(1)]	170,407	683	171,090
Acquisitions (note 6)	951,690	-	951,690
Dispositions	(58)	(30)	(88)
Transfers from E&E (note 7)	262	-	262
Discount rate adjustment on obligations acquired (note 10)	36,874	-	36,874
Changes in decommissioning cost estimates (note 10)	5,208	-	5,208
Balance at December 31, 2021	**1,448,890**	**1,151**	**1,450,041**
Additions [(1)]	**196,394**	**170**	**196,564**
Acquisitions [(2)]	**(184)**	**-**	**(184)**
Dispositions	**(107)**	**-**	**(107)**
Transfers from E&E (note 7)	**1,834**	**-**	**1,834**
Changes in decommissioning cost estimates (note 10)	**(39,112)**	**-**	**(39,112)**
Balance at June 30, 2022	**1,607,715**	**1,321**	**1,609,036**

(1) During the six months ended June 30, 2022, the Company capitalized $1.5 million of general and administrative expenses and $0.4 million of share based compensation directly related to development activities. For the year ended December 31, 2021, the Company capitalized $1.7 million of general and administrative expenses and $0.3 million of share based compensation.

(2) The first half of 2022 includes $0.2 million of proceeds from favourable closing adjustments on property acquisitions completed in the previous year (see note 6).

Accumulated DD&I	D&P assets	Corporate	Total PP&E
Balance at December 31, 2020	27,964	102	28,066
Depletion and depreciation	94,235	261	94,496
Balance at December 31, 2021	**122,199**	**363**	**122,562**
Depletion and depreciation	**87,244**	**207**	**87,451**
Balance at June 30, 2022	**209,443**	**570**	**210,013**

Net carrying value	D&P assets	Corporate	Total PP&E
Balance at December 31, 2021	1,326,691	788	1,327,479
Balance at June 30, 2022	**1,398,272**	**751**	**1,399,023**

Future development capital expenditures required to develop total proved plus probable reserves in the amount of $2.9 billion are included in the depletion calculation for D&P assets for the three months ended June 30, 2022 ($3.0 billion at December 31, 2021).

Spartan assessed each of its cash generating units for indicators of potential impairment as at June 30, 2022 and concluded there are no indicators of impairment.

9. LEASES

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

RIGHT-OF-USE ASSETS

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

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Right-of-use asset, at cost		
Balance, beginning of year	**64,257**	51,438
Additions	**-**	7,579
Acquisitions (note 6)	**-**	5,412
Lease modification	**(214)**	(172)
Balance, end of period	**64,043**	64,257
Accumulated depreciation		
Balance, beginning of year	**12,468**	4,175
Depreciation expense	**4,848**	8,293
Balance, end of period	**17,316**	12,468
Right-of-use asset, net carrying value	**46,727**	51,789

LEASE LIABILITIES

As at June 30, 2022, the present value of the Company's total lease liability is $50.0 million, of which approximately $9.1 million is expected to be settled in the next twelve months. A continuity of the lease obligation is provided below:

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Lease liabilities		
Balance, beginning of year	**54,796**	49,766
Additions	**-**	7,579
Acquisitions (note 6)	**-**	5,483
Lease payments	**(6,113)**	(10,774)
Financing cost (note 17)	**1,497**	2,914
Lease modification	**(214)**	(172)
Balance, end of period	**49,966**	54,796
Expected to be settled within one year	**9,094**	10,206
Expected to be settled beyond one year	**40,872**	44,590

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

The Company has short term leases in place primarily for equipment with contract terms less than twelve months, expensed within operating expenses. The total amount expensed in respect of short-term leases was approximately $3.9 million during the six months ended June 30, 2022 (six months ended June 30, 2021 – $0.4 million).

10. DECOMMISSIONING OBLIGATIONS

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

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Balance, beginning of year	**171,845**	98,087
Obligations incurred	**1,969**	1,872
Obligations acquired (note 6)	**18**	33,792
Discount rate adjustment on obligations acquired (note 6)	**-**	36,874
Obligations disposed	**(918)**	(103)
Obligations settled	**(1,940)**	(2,069)
Obligations settled through government grant (1)	**(1,002)**	(2,261)
Changes in discount rate	**(41,525)**	(5,565)
Changes in estimates	**444**	8,901
Accretion (note 17)	**1,563**	2,317
Balance, end of period	**130,454**	171,845
Expected to be settled within one year	**5,200**	3,614
Expected to be settled beyond one year	**125,254**	168,231

(1) Funding earned through the Alberta provincial government Site Rehabilitation Program is recognized as "other income" in the Consolidated Statements of Net Income and Comprehensive Income.

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at June 30, 2022, the total undiscounted amount of the estimated cash flows required to settle the obligation is $159.4 million ($161.1 million as of December 31, 2021), of which, Spartan expects to incur approximately $72.0 million over the next 20 years, $86.6 million in 20 to 50 years, and the residual thereafter. Based on an inflation rate of 2.0%, the estimated undiscounted future cash flows required to settle the obligation is $247.9 million at June 30, 2022 (December 31, 2021 – $249.0 million).

As at June 30, 2022, the carrying amount of the decommissioning obligations is based on a risk-free rate of 3.1% (1.7% at December 31, 2021). The increase in discount rate resulted in a decrease in the carrying amount of decommissioning obligations by $41.5 million as at June 30, 2022 compared to December 31, 2021.

11. LONG-TERM DEBT

As at June 30, 2022, total long-term debt is comprised of bank debt drawn under the revolving credit facility and indebtedness under the second lien term facility. The balance of long-term debt is presented net of unamortized issue costs and prepaid interest on bankers' acceptances.

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Bank debt	**83,000**	245,550
Second lien term facility	**150,000**	150,000
Unamortized issue costs and prepaid interest	**(6,238)**	(7,986)
Long-term debt	**226,762**	387,564

a) Bank debt

The Company has a senior secured revolving credit facility with a syndicate of financial institutions (the "**Credit Facility**"). The authorized borrowing base available under the Credit Facility is $450.0 million, comprised of a $50.0 million operating facility and a $400.0 million syndicated facility. As at June 30, 2022, Spartan had drawn $83.0 million on the Credit Facility.

The Credit Facility has a revolving period of 364 days, maturing May 30, 2023, and may be extended annually at Spartan's option subject to approval of the lenders, with a term-out to May 30, 2024 if not renewed. The borrowing base is subject to semi-annual reviews occurring approximately in May and November of each year and may also be subject to redetermination upon, among other things, the liability management rating of the Company falling below 2.0 or disposing of material properties. The Credit Facility is secured by a first fixed and floating charge debenture over all the Company's assets in the amount of $1.0 billion and a general assignment of book debts. Repayments of principal are not required until the maturity date, provided that the borrowings do not exceed the authorized borrowing base and the Company is in compliance with all covenants, representations and warranties.

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

The Company is subject to certain financial covenants under the amended Credit Facility which include:
(i) for so long as the following covenants apply to the Term Facility (hereinafter defined):
(A) the maximum funded debt to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, as defined in the credit agreement and below), calculated quarterly, shall not exceed 2.5 to 1.0; and
(B) the asset coverage ratio of the Company shall not be less than 1.5 to 1.0, calculated annually.

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

Covenant Description(1)		**June 30, 2022**	December 31, 2021
Liability management rating (2)	minimum ratio 2.0 to 1.0	**9.58**	8.90
Net debt to cash flow (3)(4)(6)	maximum ratio 2.0 to 1.0	**not applicable (6)**	1.03
Funded debt to EBITDA (3)(4)	maximum ratio 2.5 to 1.0	**0.36**	0.82
Asset coverage ratio (5)	minimum ratio 1.5 to 1.0	**not applicable (5)**	2.65

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

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

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

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

(5) The asset coverage ratio is an annual covenant calculated as the proved developed producing reserves of the Company (before income tax, discounted at 10%), as evaluated by an independent third party engineering report and evaluated on strip commodity pricing as at December 31, 2021, divided by the balance of funded debt (footnote 3).

(6) The net debt to cash flow ratio financial covenant was terminated upon renewal of the Credit Facility.

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

In January 2022, the Company entered into a new demand letter of credit facility which provides Spartan with $25.0 million of additional credit capacity to issue letters of credit. The letters of credit may be issued for general corporate purposes and are limited to a term of one year from the date of issuance. Letter of credit obligations are repayable on demand. As at June 30, 2022, there is $2.0 million of issued but undrawn letters of credit under the letter of credit facility.

b) Second lien term facility

On August 31, 2021, the Company established a $150.0 million non-revolving term facility (the "Term Facility"). The Term Facility is a single drawdown facility made available solely to finance the Velvet Acquisition and has a sixty-month term maturing on August 31, 2026. The Term Facility is secured on a second-priority basis to the Credit Facility. The principal amount is repayable in scheduled monthly instalments starting on September 1, 2024, being the 37th month, at an amortization rate of 7.5% per annum. The Company has the option to prepay the outstanding balance under the Term Facility at any time after February 26, 2022, provided that if repayment occurs before August 31, 2024, the Company shall pay all interest and fees that would have otherwise been payable up to the 36th month. The Term Facility bears a floating interest rate of Canadian bank prime plus 5.25%, payable monthly, and is subject to an annual review fee of 0.5%, payable annually. Covenants include the same asset coverage ratio and funded debt to EBITDA financial covenants as the Credit Facility, as described above.

c) Movements in long-term debt

The following table reconciles movements in long-term debt during the periods ended June 30, 2022 and December 31, 2021:

(CA$ thousands)	**June 30, 2022**	December 31, 2021
Balance, beginning of year	**387,564**	-
Advances	**239,200**	552,550
Repayments	**(401,750)**	(157,000)
Issue costs incurred	**(947)**	(6,772)
Amortization of issue costs	**1,201**	1,065
Change in prepaid interest on bankers' acceptances	**1,494**	(1,769)
Reclassification of unamortized issue costs	**-**	(510)
Long-term debt, end of period	**226,762**	387,564

12. CONVERTIBLE PROMISSORY NOTE

On March 18, 2021, Spartan issued a $50.0 million unsecured non-interest bearing convertible promissory note (the "Convertible Note") in connection with the Inception Acquisition (note 6). Under the original terms of the agreement, the Convertible Note had a five-year term and was 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.

On September 29, 2021, the Convertible Note was converted into 5,882,353 common shares of Spartan pursuant to an amending agreement between Spartan and the noteholder, whereby the terms of the Convertible Note were amended allowing for early conversion at a conversion price of $8.50 per common share. The Convertible Note was cancelled upon conversion.

The Convertible Note was measured at fair value through profit or loss and was 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 $13.6 million and $14.0 million during the three and six months ended June 30, 2021. The fair value of the Convertible Note was $30.9 million on the conversion date, resulting in a loss of $5.6 million during the previous year.

The following table summarizes the change in the principal amount and carrying value of the Convertible Note during the previous year ended December 31, 2021:

(CA$ thousands)	**Principal Amount**	**Carrying Value**
Balance at December 31, 2020	-	-
Issued on acquisition (note 6)	50,000	25,293
Change in fair value	-	5,648
Conversion to common shares	(50,000)	(30,941)
Balance at December 31, 2021	**-**	**-**

13. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares, an unlimited number of preferred shares, and an unlimited number of special shares, each without par value. The preferred shares may be issued in series, with the directors determining the terms of the preferred shares on a series-by-series basis.

b) Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares or special shares outstanding as of June 30, 2022 (December 31, 2021 – nil).

	Number of common shares (000s)	Amount ($ thousands)
Balance at December 31, 2020	58,226	108,481
Equity offerings:		
Bought-deal prospectus offerings	40,953	195,000
Non-brokered private placement	6,250	25,000
Flow-through private placement	10,977	54,005
Deferred premium on flow-through shares	-	(10,098)
Issued pursuant to acquisitions (note 6)	30,523	120,494
Issued on conversion of convertible promissory note (note 12)	5,882	30,941
Issued for cash on exercise of warrants	270	270
Transfer value attributed to warrants exercised	-	166
Issued for cash on exercise of stock options	133	400
Transfer value attributed to stock options exercised	-	168
Issue costs, net of deferred tax ($2,281)	-	(7,635)
Balance at December 31, 2021	**153,214**	**517,192**
Issued for cash on exercise of warrants	**445**	**445**
Transfer value attributed to warrants exercised	**-**	**273**
Issued for cash on exercise of stock options	**1,135**	**3,746**
Transfer value attributed to stock options exercised	**-**	**1,672**
Released upon vesting of restricted share awards	**596**	**2,475**
Issue costs, net of deferred tax ($3)	**-**	**(9)**
Balance at June 30, 2022	**155,390**	**525,794**

Prospectus Offerings

On March 8, 2021, the Company completed a bought deal public offering for gross proceeds of $45.0 million, pursuant to which the Company issued 11,250,000 subscription receipts of Spartan at a price of $4.00 per subscription receipt. Cash proceeds were released from escrow on March 18, 2021 upon closing of the Inception Acquisition (note 6) and the Non-Brokered Offering (as defined below) and each subscription receipt was exchanged for one common share for no additional consideration. Net proceeds were approximately $42.7 million after underwriting fees and other issue costs.

On August 18, 2021, raised gross proceeds of $150.0 million through a bought deal public offering of 29,703,000 subscription receipts of Spartan at a price of $5.05 per subscription receipt. Cash proceeds were released from escrow on August 31, 2021 and used to partially fund the cash purchase price for the Velvet Acquisition (note 6). Each subscription receipt was exchanged for one common share for no additional consideration. Net proceeds were approximately $144.3 million after underwriting fees and other issue costs.

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. The deferred premium on flow-through shares was recognized initially as a liability on the Consolidated Statement of Financial Position and was drawn-down in proportion to the Qualifying Expenditures incurred during the previous year. As at December 31, 2021, Spartan had fully satisfied its obligations to incur and renounce eligible Canadian development expenses in the aggregate amount of $54.0 million. In accordance with the subscription agreements, Spartan renounced the qualifying expenditures to subscribers as follows: $6.5 million effective October 31, 2021; and $47.5 million effective December 31, 2021.

c) Warrants

The following table summarizes the change in common share purchase warrants issued and outstanding:

	Number of warrants (000s)	Amount ($ thousands)	Average exercise price ($/share)
Balance at December 31, 2020	16,084	9,891	1.00
Warrants exercised	(270)	(166)	(1.00)
Balance at December 31, 2021	**15,814**	**9,725**	**1.00**
Warrants exercised	**(445)**	**(273)**	**(1.00)**
Balance at June 30, 2022	**15,369**	**9,452**	**1.00**

The warrants were issued on December 19, 2019 at a fair value of approximately $10.0 million or $0.61 per warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $1.00 for a period of five years. The warrants became fully vested in June 2020 and will provide aggregate cash proceeds of $15.4 million to the Company, if exercised by the holders.

d) Stock options

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

The following table summarizes the change in stock options outstanding:

	Number of options (000s)	Average exercise price ($/share)
Balance at December 31, 2020	3,400	3.00
Granted (1)	1,215	4.29
Exercised	(133)	(3.00)
Forfeited	(124)	(3.04)
Balance at December 31, 2021	**4,358**	**3.36**
Granted (1)	**784**	**8.21**
Exercised	**(1,135)**	**3.30**
Forfeited	**(68)**	**5.61**
Balance at June 30, 2022	**3,939**	**4.30**

(1) The options granted vest 1/3 per year on the anniversary date of the grant.

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

	Six months ended June 30	
	2022	2021
Risk free interest rate	**1.6%**	0.7%
Expected life (years)	**3.0**	3.9
Expected volatility (1)	**60%**	66%
Expected dividend yield	**0%**	0%
Expected forfeiture rate	**1.0%**	1.1%
Average fair value of options granted ($/share)	**$3.33**	$1.99

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

The following table summarizes information regarding stock options outstanding at June 30, 2022:

Exercise price ($/share)	Number of options outstanding (000s)	Weighted average remaining term (years)	Weighted average exercise price for options outstanding ($/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($/share)
$2.92 - $4.00	2,295	2.9	3.00	1,177	3.00
$4.01 - $6.00	807	3.7	4.11	84	4.18
$6.01 - $8.50	826	4.6	7.98	2	6.59
$8.51 - $14.48	11	4.9	13.12	-	-
Total	**3,939**	**3.4**	**4.30**	**1,263**	**3.09**

The volume weighted average trading price of the Company's common shares on the TSX for the three and six months ended June 30, 2022 was $12.85 and $11.39, respectively. During the three and six months ended June 30, 2021, the volume weighted average trading price of the Company's common shares on the TSX Venture exchange was $4.65 and $4.32, respectively.

e) Share awards

The Company has a share award incentive plan, pursuant to which the Company may grant restricted share awards ("RSA") and performance share awards ("PSA") to directors, officers, employees and consultants of the Company. The share awards, being RSAs or PSAs as applicable, granted under the share award incentive plan are intended to be settled through the issuance of common shares upon vesting. The Board of Directors shall not grant new share awards under the plan if the number of shares issuable pursuant to outstanding share awards, when combined with the number of shares issuable pursuant to outstanding stock options granted under the Company's stock option plan, would exceed 10% of the issued and outstanding common shares at the time of the grant.

RSAs granted shall vest as to one-third (1/3) on each of the first, second and third anniversaries of the award date and PSAs shall vest on the third anniversary of the award date, unless otherwise stipulated by the Board or Compensation Committee at the time of granting the Share Award, and subject to earlier vesting in accordance with the plan.

The following table summarizes the change in share awards outstanding:

	Number of PSAs (000s)	Number of RSAs (000s)
Balance at December 31, 2020	-	-
Granted	-	2,010
Forfeited	-	(51)
Balance at December 31, 2021	**-**	**1,959**
Granted	**-**	**1,836**
Released upon vesting	**-**	**(596)**
Forfeited	**-**	**(91)**
Balance at June 30, 2022	**-**	**3,108**

(1) The majority of RSAs granted vest 1/3 per year on the anniversary date of the grant. During the three months ended June 30, 2022, 0.5 million RSAs were granted with 10% vesting on the first anniversary, 30% vesting on the second anniversary and 60% vesting on the third anniversary.

f) Per share amounts

The table below summarizes the weighted average ("WA") number of common shares outstanding (000's) used in the calculation of net income per share for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30		Six months ended June 30	
(000s)	**2022**	2021	**2022**	2021
WA common shares outstanding, basic	**154,960**	114,129	**154,131**	91,337
Dilutive effect of stock options	**2,370**	778	**2,171**	589
Dilutive effect of share awards	**1,889**	535	**1,733**	440
Dilutive effect of warrants	**14,173**	12,523	**14,019**	12,261
WA common shares outstanding, diluted (1)	**173,392**	127,965	**172,054**	104,627
Net income	**181,740**	19,664	**242,917**	78,828
$ per common share, basic	**1.17**	0.17	**1.58**	0.86
$ per common share, diluted	**1.05**	0.15	**1.41**	0.75

(1) The Convertible Note was issued in connection with the Inception Acquisition on March 18, 2021 and was subsequently converted into approximately 5.9 million common shares on September 29, 2021. For both the three and six months ended June 30, 2021, the Convertible Note was antidilutive to net income per share.

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

14. INCOME TAXES

As at June 30, 2022, total tax pools available to the Company are estimated to be approximately $1.6 billion (December 31, 2021 – $1.8 billion), of which approximately 45% are non-capital losses ("NCLs"). Subsequent to the quarter, on August 9, 2022, Spartan completed a corporate acquisition which is expected to materially enhance the Company's future tax position (see "Subsequent Events").

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

(*CA$ thousands*)	Balance at Dec 31, 2021	Recognized in net income	Recognized in balance sheet	**Balance at June 30, 2022**
Derivative financial instruments	14,794	(5,643)	-	**9,151**
Accelerated tax basis depreciation	(130,279)	(11,416)	-	**(141,695)**
Decommissioning obligations	39,524	(9,519)	-	**30,005**
Leases	692	53	-	**745**
Share issue costs	2,186	(232)	3	**1,957**
Non-capital losses and other (1)	215,975	(47,883)	-	**168,092**
Deferred income tax asset	142,892	(74,640)	3	**68,255**

(1) NCLs expire in years 2034 to 2041.

Under IFRS, deferred income tax assets may only be recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses and deductible temporary differences can be utilized. The Company had an unrecognized deferred tax asset of $41.8 million upon initial recognition of an acquisition completed in January 2021 (note 6), to which the Company subsequently recognized the full $41.8 million during the year ended December 31, 2021. The Company expects to have sufficient taxable profits in the future in order to utilize its NCLs which expire in years 2034 to 2041 and has recognized the deferred tax asset related to NCLs.

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

	Three months ended June 30		Six months ended June 30	
(*CA$ thousands*)	**2022**	2021	**2022**	2021
Net income before income taxes	**235,535**	13,719	**317,557**	72,537
Canadian statutory tax rate (1)	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**54,173**	3,155	**73,038**	16,683
Increase (decrease) resulting from:				
Non-deductible expenses (2)	**(216)**	492	**39**	878
Write down of other non-current assets	**-**	-	**1,725**	-
Gain on acquisition	**-**	-	**-**	(8,081)
Qualifying expenditures incurred on flow-through shares	**-**	1,026	**-**	1,026
Premium on flow-through shares	**-**	(193)	**-**	(193)
True-up tax pools	**(162)**	(179)	**(162)**	(179)
Change in unrecognized deferred tax asset	**-**	(10,246)	**-**	(16,425)
Deferred income tax expense (recovery)	**53,795**	(5,945)	**74,640**	(6,291)
Current income tax	**-**	-	**-**	-
Income tax expense (recovery)	**53,795**	(5,945)	**74,640**	(6,291)

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

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

15. OIL AND GAS SALES, NET OF ROYALTIES

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

	Three months ended June 30		Six months ended June 30	
(*CA$ thousands)*	**2022**	2021	**2022**	2021
Oil and gas sales				
Crude oil	**163,309**	12,899	**281,326**	16,511
Natural gas liquids	**94,356**	35,267	**178,351**	62,106
Natural gas	**180,034**	48,190	**300,446**	87,022
Oil and gas sales	**437,699**	96,356	**760,123**	165,639
Royalties	**(57,676)**	(10,451)	**(89,456)**	(19,168)
Oil and gas sales, net of royalties	**380,023**	85,905	**670,667**	146,471

16. PIPELINE TRANSPORTATION REVENUE AND EXPENSES

The pipeline transportation revenue and expense arrangements were assumed through the Velvet Acquisition on August 31, 2021 (note 6). Pipeline transportation revenue represents the margin generated from the Company's buy/sell arrangement with an international oil marketer, where barrels are purchased in Flanagan, Illinois and sold at Cushing, Oklahoma on the Spearhead pipeline. Pipeline transportation expense represents the contracted cost for Spartan to transport its allocated volumes on the Spearhead pipeline, subject to apportionment by the pipeline operator.

During the first quarter of 2022, Spartan entered into an agreement with a third party to assign its firm transportation capacity and related obligations under these contracts effective April 1, 2022. The assignment reduced the Company's aggregate contractual commitments by approximately $72.3 million (note 20).

The table below summarizes the net loss incurred under the contracts during the periods:

	Three months ended June 30		Six months ended June 30	
(*CA$ thousands)*	**2022**	2021	**2022**	2021
Pipeline transportation revenue	**-**	-	**1,364**	-
Pipeline transportation expense	**-**	-	**(1,718)**	-
Net pipeline transportation margin	**-**	-	**(354)**	-

17. FINANCING

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

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2022**	2021	**2022**	2021
Interest and fees on long-term debt	**6,958**	281	**13,725**	638
Financing cost of lease liabilities	**732**	707	**1,497**	1,423
Accretion of decommissioning obligations	**866**	617	**1,563**	941
Financing expenses	**8,556**	1,605	**16,785**	3,002
Interest income	**-**	(232)	**(3)**	(233)
Financing	**8,556**	1,373	**16,782**	2,769

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2022**	2021	**2022**	2021
Accounts receivable	**(11,530)**	(6,873)	**(54,118)**	(20,922)
Prepaid expenses and deposits	**(6,768)**	(9,890)	**(7,694)**	(11,086)
Other current assets	**(3,213)**	-	**(7,917)**	-
Accounts payable and accrued liabilities	**10,178**	2,206	**37,129**	13,796
Non-cash working capital acquired (note 6)	**-**	(52)	**-**	(5,591)
Foreign exchange	**(228)**	-	**(108)**	-
Change in non-cash working capital	**(11,561)**	(14,609)	**(32,708)**	(23,803)
Relating to:				
Operating activities	**1,362**	(7,323)	**(22,840)**	(11,545)
Financing activities	**-**	(250)	**-**	-
Investing activities	**(12,923)**	(7,036)	**(9,868)**	(12,258)
Change in non-cash working capital	**(11,561)**	(14,609)	**(32,708)**	(23,803)
Cash payments in respect of:				
Interest and fees on long-term debt	**6,614**	462	**12,596**	762
Income taxes	**-**	-	**-**	-

19. CAPITAL MANAGEMENT

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

As at June 30, 2022, the Company's capital structure is comprised of working capital, long-term debt and shareholders' equity. The significant components of the Company's capital structure are summarized below:

(CA$ thousands, except as noted)	**June 30, 2022**	December 31, 2021
Working capital deficit	**79,773**	133,416
Adjusted for current portion of:		
Derivative financial instrument assets	**10,693**	268
Derivative financial instrument liabilities	**(46,479)**	(52,783)
Lease liabilities	**(9,094)**	(10,206)
Adjusted Working Capital deficit (1) (2)	**34,893**	70,695
Long-term debt	**226,762**	387,564
Net Debt (2)	**261,655**	458,259
Total shareholders' equity	**1,139,794**	886,649

(1) "Adjusted Working Capital" is calculated as current assets less current liabilities, excluding derivative financial instruments and lease liabilities. As at June 30, 2022 and December 31, 2021, Adjusted Working Capital includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities and the current portion of decommissioning obligations.

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

The capital intensive nature of Spartan's operations may create a working capital deficiency during periods with high levels of capital investment. Spartan's Adjusted Working Capital deficit decreased from $70.7 million at December 31, 2021 to $34.9 million at June 30, 2022 primarily due to the increase in revenue during the first half of 2022. The Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at June 30, 2022, the Company's bank debt of $83.0 million represented 18% of the authorized borrowing amount available under Spartan's $450.0 million Credit Facility (note 11).

The Company's primary sources of funds were $236.0 and $373.8 million of cash provided by operating activities, supplemented by short-term advances of bank debt under the Credit Facility, during the three and six months ended June 30, 2022, respectively. In addition, Spartan received cash proceeds of $3.9 and $4.2 million on the exercise of stock options and warrants (note 13) and $0.4 and $0.8 million from minor property dispositions for the three and six months ended June 30, 2022, respectively.

Spartan used its cash provided by operating activities to fund the Company's exploration and development capital expenditures of $90.6 and $198.6 million, lease principal payments of $2.3 and $4.6 million and to reduce its bank debt by $130.4 and $162.6 million during the three and six months ended June 30, 2022.

The Company monitors its capital structure and short-term financing requirements using a “Net Debt to Annualized AFF Ratio”(1), which is calculated by Spartan as the Company’s Net Debt (calculated above) relative to its “Annualized Adjusted Funds Flow”. The reader is cautioned that “Net Debt” and “Adjusted Funds Flow” do not have standardized meanings under IFRS may not be directly comparable to measures of other companies where similar terminology is used. Spartan calculates “Adjusted Funds Flow” by deducting lease payments and adding back transaction costs on acquisitions and the change in non-cash working capital to cash provided by operating activities. Spartan utilizes Adjusted Funds Flow as a key performance measure in the Company’s annual financial forecasts and public guidance because it reflects the net cash flow generated from routine business operations. Adjusted Funds Flow is reported net of cash lease payments in the period therefore Spartan believes Adjusted Funds Flow is an appropriate metric to compare relative to its Net Debt which does not include lease liabilities. “Annualized Adjusted Funds Flow”, which is calculated by multiplying Adjusted Funds Flow for the most recently completed quarter by a factor of 4, is considered more representative of the Company’s current financial position than a 12-month trailing measure. Management believes that the Net Debt to Annualized AFF Ratio provides investors with information to understand the Company’s liquidity risk and its ability to repay long-term debt and fund future capital expenditures.

Three months ended	**June 30, 2022**	December 31, 2021
Cash provided by operating activities	**236,007**	147,975
Change in non-cash operating working capital	**(1,362)**	(8,509)
Add back: transaction costs	**-**	(71)
Deduct: lease payments	**(2,271)**	(2,369)
Adjusted Funds Flow for the quarter	**232,374**	137,026
Factor to Annualize	**4**	4
Annualized Adjusted Funds Flow (1)	**929,496**	548,104
Net Debt	**261,655**	458,259
Annualized Adjusted Funds Flow (1)	**929,496**	548,104
Net Debt to Annualized AFF Ratio (1)	**0.3x**	0.8x

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

As at June 30, 2022, Spartan had Net Debt of $261.7 million, which is approximately 0.3 times the Company’s Annualized Adjusted Funds Flow for the second quarter of 2022. The Net Debt to Annualized AFF ratio decreased from 0.8 times at December 31, 2021. The Company reduced its Net Debt by $196.6 million to $261.7 million compared to $458.3 million as at December 31, 2021, as cash provided by operating activities exceeded capital expenditures during the first half of 2022.

The Company’s existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Spartan is well positioned to execute on its short and longer term growth strategy. The Company’s exploration and development capital expenditure budget for 2022 will be funded by cash provided by operating activities and may be supplemented by short term advances of bank debt during periods of high capital investment. Spartan plans to use surplus cash provided by operating activities primarily to repay bank debt in 2022. To maintain or adjust its capital structure in the future, the Company may issue new common shares or other equity securities, issue debt, adjust capital expenditures and acquire or dispose of assets.

As at June 30, 2022, the Company is not subject to any externally imposed capital requirements other than the financial covenants under the amended and restated Credit Facility and Term Facility, to which Spartan is in full compliance (note 11).

20. COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual commitments as of June 30, 2022:

(CA$ thousands)	2022	2023	2024	2025	2026	Thereafter
Gas transportation (1)	10,096	20,122	18,033	17,710	13,314	16,962
Liquids transportation (2)	10,547	20,743	1,942	1,937	1,937	6,294
NGLs fractionation (3)	543	1,343	1,425	1,421	1,421	4,618
Processing fees (4)	7,396	9,440	4,295	4,219	4,138	30,314
Capital commitments (5)	1,544	18,784	43,750	-	-	-
Total commitments	**30,126**	**70,432**	**69,445**	**25,287**	**20,810**	**58,188**

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

(2) Relates to upstream oil and natural gas liquids ("NGLs") transportation contracts in place until December 2023 and March 2030.

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

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

(5) Capital commitments include: (i) a commitment to drill and tie-in a minimum of 16 wells over a three-year period or be subject to a penalty of $2.1 million per well, pursuant to an agreement with an industry partner (note 5). As of June 30, 2022, seven commitment wells were remaining (estimate $61.3 million) and are expected to be satisfied within the routine capital expenditure budget for 2022; and (ii) a drilling rig contract which requires a minimum number of drilling days over the period of June 2022 to May 2023. The drilling commitment is expected to be satisfied through the routine capital program with a remaining commitment of approximately $2.8 million as at June 30, 2022.

A contractual maturity of the Company's financial liabilities and undiscounted lease payments is provided in note 4.

Disposition of Spearhead and Flanagan South pipeline commitments

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

Litigation

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

21. RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

On January 1, 2022, two subsidiaries were vertically amalgamated with Spartan. Spartan has one wholly owned subsidiary as at June 30, 2022, Inception General Partner Inc. Balances and transactions between Spartan and its subsidiaries are eliminated on consolidation.

b) Related party transactions

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

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

In addition, the Company agreed to amend and terminate certain agreements which obligated ARETI to indemnify Spartan in certain circumstances. As a result, Spartan recorded a write down of other non-current assets of $7.5 million during the first quarter of 2022 related to the indemnification assets recognized in the purchase price allocation for the Inception Acquisition (note 6).

Spartan has no further contractual relationship with ARETI as a result of the foregoing.

22. SUBSEQUENT EVENTS

On August 9, 2022, Spartan closed the corporate acquisition of Bellatrix Exploration Ltd. ("Bellatrix") through a court supervised process under the *Companies' Creditors Arrangement Act* (the "CCAA") for a cash purchase price of $6.0 million (the "Acquisition"). Pursuant to the Acquisition, Spartan acquired 1,000 new common shares issued by Bellatrix and all other existing equity securities of Bellatrix were cancelled for no consideration, resulting in Spartan holding 100% of the aggregate issued and outstanding equity securities of Bellatrix. Spartan previously acquired substantially all of Bellatrix's assets for total consideration of $108.8 million in June 2020, which established the Company's core operating area in the Alberta Deep Basin. Following the Acquisition and reorganization under the CCAA, Bellatrix will not have any significant assets or liabilities remaining except for approximately $600 million of non-capital loss tax pools estimated to be available for use by Spartan as of the closing date.