SPARTAN DELTA CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2023 AND 2022

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

(CA$ thousands)	[Note]	**June 30, 2023**	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		**1,811,350**	124,399
Accounts receivable	[4]	**44,244**	140,413
Prepaid expenses and deposits		**11,112**	8,011
Other current assets	[7]	**-**	2,340
Derivative financial instruments	[4]	**47,995**	33,845
Assets held for distribution	[5]	**90,352**	-
Total current assets		**2,005,053**	309,008
Exploration and evaluation assets	[8]	**6,534**	104,120
Property, plant and equipment	[9]	**451,217**	1,524,272
Right-of-use assets	[10]	**37,639**	42,119
Deferred income tax asset	[14]	**-**	119,956
Total assets		**2,500,443**	2,099,475
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[4]	**110,386**	176,855
Dividends payable	[13]	**1,671,778**	85,704
Distribution payable	[13]	**60,620**	-
Derivative financial instruments	[4]	**1,902**	818
Lease liabilities	[10]	**9,630**	9,450
Decommissioning obligations	[11]	**3,918**	5,800
Share-based compensation liability	[13]	**30,316**	-
Liabilities classified as held for distribution	[5]	**29,752**	-
Current debt	[12]	**146,981**	-
Total current liabilities		**2,065,283**	278,627
Long-term debt	[12]	**-**	145,180
Lease liabilities	[10]	**31,346**	36,045
Decommissioning obligations	[11]	**58,811**	122,802
Deferred income tax liability	[14]	**36,178**	-
Total liabilities		**2,191,618**	582,654
SHAREHOLDERS' EQUITY			
Share capital	[13]	**552,100**	553,647
Contributed surplus		**-**	24,400
Retained earnings (deficit)		**(243,275)**	938,774
Total shareholders' equity		**308,825**	1,516,821
Total liabilities and shareholders' equity		**2,500,443**	2,099,475
Commitments and contingencies	[19]		
Subsequent events	[21]		

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

Approved on behalf of the Board of Directors:

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

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

		Three months ended June 30		Six months ended June 30	
(CA$ thousands, except per share amounts)	[Note]	**2023**	2022	**2023**	2022
Revenue					
Oil and gas sales	[15]	**168,847**	437,699	**485,059**	760,123
Royalties	[15]	**(14,988)**	(57,676)	**(48,572)**	(89,456)
Oil and gas sales, net of royalties		**153,859**	380,023	**436,487**	670,667
Pipeline transportation		**-**	-	**-**	1,364
Processing and other		**2,543**	1,960	**5,884**	4,338
		156,402	381,983	**442,371**	676,369
Gain (loss) on derivative financial instruments	[4]	**3,683**	(2,496)	**31,536**	(73,205)
Expenses					
Operating		**40,798**	60,943	**100,414**	115,602
Transportation		**13,531**	18,530	**33,954**	36,540
Pipeline transportation		**-**	-	**-**	1,718
General and administrative		**5,401**	6,559	**10,248**	12,339
Share-based compensation	[13]	**11,590**	3,135	**23,002**	5,658
Financing expense (income)	[16]	**(1,191)**	8,556	**5,536**	16,782
Exploration and evaluation expense	[8]	**-**	383	**21,030**	859
Depletion, depreciation and impairment	[9,10]	**28,567**	47,470	**104,402**	92,299
		98,696	145,576	**298,586**	281,797
Other income (expenses)					
Gain on sale of assets	[6]	**549,242**	936	**549,341**	1,653
Write down of other non-current assets	[20]	**-**	-	**-**	(7,500)
Transaction costs	[6]	**(16,554)**	-	**(18,804)**	(24)
Other income		**-**	304	**3,098**	1,636
Foreign exchange gain (loss)	[4]	**(624)**	384	**(481)**	425
		532,064	1,624	**533,154**	(3,810)
Net income before income taxes		**593,453**	235,535	**708,475**	317,557
Deferred income tax expense	[14]	**136,384**	53,795	**164,957**	74,640
Net income and comprehensive income		**457,069**	181,740	**543,518**	242,917
Net income per share					
Basic	[13]	**2.65**	1.17	**3.16**	1.58
Diluted	[13]	**2.64**	1.05	**3.14**	1.41

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 (deficit)	Total
Balance at December 31, 2022		**553,647**	**-**	**24,400**	**938,774**	**1,516,821**
Net income and comprehensive income		**-**	**-**	**-**	**543,518**	**543,518**
Common shares issued, net of costs:						
Stock options exercised	[13]	**66**	**-**	**(20)**	**-**	**46**
Stock options cash settled	[13]	**(1,626)**	**-**	**(6,868)**	**-**	**(8,494)**
Share awards released on vesting	[13]	**13**	**-**	**(13)**	**-**	**-**
Dividends declared	[13]	**-**	**-**	**-**	**(1,662,733)**	**(1,662,733)**
Distributions declared	[13]	**-**	**-**	**-**	**(60,620)**	**(60,620)**
Share-based compensation expense		**-**	**-**	**9,825**	**-**	**9,825**
Equity settled awards converted to cash settled awards	[13]	**-**	**-**	**(27,324)**	**(11,037)**	**(38,361)**
Deferred tax recognized on conversion to cash settled awards	[14]	**-**	**-**	**-**	**8,823**	**8,823**
Balance at June 30, 2023		**552,100**	**-**	**-**	**(243,275)**	**308,825**
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

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]	**2023**	2022	**2023**	2022
Operating activities					
Net income		**457,069**	181,740	**543,518**	242,917
Items not affecting cash:					
Unrealized (gain) loss on derivatives	[4]	**27,794**	(38,112)	**(4,714)**	10,171
Unrealized foreign exchange loss	[4]	**154**	429	**368**	381
Share-based compensation	[13]	**11,590**	3,135	**23,002**	5,658
Financing	[16]	**787**	866	**1,780**	1,563
Exploration & evaluation	[8]	**-**	383	**21,030**	859
Depletion, depreciation and impairment	[9]	**28,567**	47,470	**104,402**	92,299
Write down of other non-current assets		**-**	-	**-**	7,500
Gain on sale of assets		**(549,242)**	(936)	**(549,341)**	(1,653)
Other income		**-**	(306)	**(3,098)**	(1,002)
Deferred income tax expense	[14]	**136,384**	53,795	**164,957**	74,640
Settlement of acquired derivative liabilities	[4]	**(3,177)**	(13,106)	**(8,352)**	(34,706)
Settlement of decommissioning obligations	[11]	**(711)**	(713)	**(1,882)**	(1,940)
Change in non-cash working capital	[17]	**37,267**	1,362	**69,530**	(22,840)
Cash provided by operating activities		**146,482**	236,007	**361,200**	373,847
Financing activities					
Advances of long-term debt, net of costs	[12]	**1,229**	136,942	**1,801**	240,948
Repayments of long-term debt	[12]	**-**	(266,750)	**-**	(401,750)
Issue of common shares, net of costs	[13]	**-**	3,939	**46**	4,179
Lease payments	[10]	**(2,469)**	(2,271)	**(4,898)**	(4,616)
Dividends paid	[13]	**(15)**	-	**(76,659)**	-
Cash settlement of RSA's and stock options	[13]	**(30,195)**	-	**(30,195)**	-
Cash used in financing activities		**(31,450)**	(128,140)	**(109,905)**	(161,239)
Investing activities					
Exploration and evaluation assets	[8]	**(2,848)**	(560)	**(10,687)**	(2,444)
Property, plant and equipment	[9]	**(92,945)**	(90,076)	**(224,939)**	(196,176)
Acquisitions	[6]	**-**	(5)	**(925)**	97
Dispositions	[6]	**1,704,464**	379	**1,704,620**	844
Change in non-cash working capital	[17]	**(45,431)**	(12,923)	**(32,181)**	(9,868)
Cash provided by (used in) investing activities		**1,563,240**	(103,185)	**1,435,888**	(207,547)
Net change in cash and cash equivalents		**1,678,272**	4,682	**1,687,183**	5,061
Foreign exchange on cash and cash equivalents		**(226)**	(201)	**(232)**	(273)
Cash and cash equivalents, beginning of period		**133,304**	1,552	**124,399**	1,245
Cash and cash equivalents, end of period		**1,811,350**	6,033	**1,811,350**	6,033

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

1. GENERAL INFORMATION

Spartan Delta Corp. ("Spartan" or the "Company") was incorporated under the *Business Corporations Act* (Alberta) on March 20, 2006. The Company is engaged in exploration, development and production of crude oil and natural gas properties in western Canada. These financial statements include the consolidated balances of all subsidiaries (note 20). 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.

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

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

Concurrent with the Asset Sale, Spartan also announced a spin-out transaction (the "Spin-Out") of certain assets and associated liabilities (the "Logan Assets") predominantly in the Pouce Coupe, Simonette and Flatrock areas, as well as legacy production in the Noel area to a wholly owned subsidiary, Logan Energy Corp. ("Logan"). The Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan (each, a "Logan Share") and one (1) purchase warrant of Logan per common share of Spartan ("Spartan Share"), and were distributed to eligible Spartan shareholders on July 6, 2023. The purchase warrants distributed to Spartan shareholders entitled the holder to purchase one (1) Logan Share at an exercise price of $0.35 at any time on or before the close of business on July 31, 2023 (the "Transaction Warrants").

In aggregate, with the Asset Sale and the Spin-Out, the Company distributed $9.50 per Spartan Share (note 13), one Logan Share per Spartan Share, and one Transaction Warrant per Spartan Share (the "Distribution") to eligible Spartan shareholders.

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

Refer to note 5 "Assets held for distribution", note 20 "Related party disclosures" and note 21 "Subsequent events" for additional information regarding the Asset Sale, Spin-Out and Distribution (collectively, the "Transaction").

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements as at June 30, 2023 (the "Financial Statements") 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 years ended December 31, 2022 and 2021 (the "2022 Annual Financial Statements").

The Company's Board of Directors (the "Board") approved these Financial Statements on August 2, 2023.

b) Basis of measurement

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

The Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value as detailed in the accounting policies disclosed in note 3 of the 2022 Annual 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 2022 Annual Financial Statements, unless otherwise noted below.

Disposal of non-current assets

Once a disposal group is identified as held for sale, all associated assets are reclassified as current and presented separately in the statement of financial position. In addition, any liabilities directly associated with assets held for sale are also reclassified and presented as a separate financial statement line item. An asset or disposal group identified as held for sale may also be considered a discontinued operation if a component of an entity is disposed. A component must comprise operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes. A component must also represent a separate major line of business or a geographical segment as defined under IFRS 8 *Operating segments*. Judgement is required in determining whether 'discontinued operations' accounting is required. At June 30, 2023, the Company has concluded that the assets and liabilities held in connection with the Spin-Out are appropriately disclosed as assets and liabilities held for distribution.

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

Recoverability of asset carrying values

Management applies judgement in assessing indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a cash generating unit or of an individual asset is determined as its fair value less costs of disposal ("FVLCD"). The key estimates in management's determination of recoverable amounts includes future commodity prices, expected production volumes, quantity of reserves and resources, future development and operating costs, discount rates, and income taxes. For the six months ending June 30, 2023, the Company recognized a $21.0 million impairment of E&E and a $12.9 million impairment of PP&E due to the assets being reviewed under the Transaction (note 1) before reclassification to assets held for distribution (note 5). Details of the specific estimates and assumptions applied in the impairment analysis are provided in note 8 and note 9, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the 2022 Annual Financial Statements. The Financial Statements at June 30, 2023 have been prepared following the same accounting policies and methods of computation as the 2022 Annual Financial Statements, unless otherwise noted below.

Assets held for sale or distribution

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

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

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

Distribution of assets

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

The Board authorized the Spin-Out based on the Logan non-brokered private placement for aggregate proceeds of $48.5 million (the "Logan Financing") being approved on May 16, 2023. A liability for the distribution of Logan has been recorded in connection to the Logan Financing being approved (note 5).

Exploration and evaluation expenditures

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

Share-based compensation

The Company's share-based compensation plan allows for the granting of equity-settled awards in connection with the Company's stock option plan, restricted share awards ("RSA") and performance share awards ("PSA") to directors, officers, employees and consultants of the Company in connection with the Company's share award incentive plan. Details regarding the share award incentive plan are provided in note 13(e) and note 3(n) of the 2022 Annual Financial Statements. The share award incentive plan allows the holder of an RSA or PSA to receive a cash payment or its equivalent in common shares, at the Company's discretion, equal to the fair market value of the Company's common shares calculated at the date of such payment. As of June 30, 2023, Spartan had only granted RSAs under the share aware incentive plan and had historically settled all vested RSAs through the issuance of common shares.

On March 28, 2023, Spartan announced that the Board approved the accelerated vesting of all outstanding RSAs and outstanding options, conditional upon the closing of the Asset Sale (note 1). Additionally, the issued and outstanding share awards will be settled on a cash basis. The intention of the Board to settle all outstanding RSAs in cash requires the RSAs to be accounted for as a liability as of the date of modification. On initial recognition of the liability as of the modification date, the fair value of the equity-settled award based on the elapsed portion of the accelerated vesting period is recorded as a liability with the offset recorded against equity. This liability is then remeasured at each subsequent reporting date. Any fluctuations in the fair value are recognized within share-based compensation expense (recovery) with a corresponding charge to the liability. Details regarding the modification and acceleration are provided in note 13(e).

Future accounting changes

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, 2024. 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.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2023 and December 31, 2022, financial instruments of the Company include cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, dividends payable, distribution payable, derivative financial instruments, share-based compensation liability, current debt and long-term debt. The fair values of these financial assets and liabilities, excluding debt, approximate their carrying value due to the short term to maturity of those instruments. The fair value of debt approximates its carrying value given it bears floating rates of interest (note 12). The methodology used to determine the fair value for the Company's derivative financial instruments is described further in this note. Lease liabilities are financial liabilities measured at amortized cost.

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

Risk Management Overview

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

a) Credit Risk

The carrying amount of cash and cash equivalents, 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 (defined herein). The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

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

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Oil and gas marketers	**29,726**	129,853
Joint venture partners	**7,939**	10,560
Accrued Interest	**6,579**	-
Accounts receivable	**44,244**	140,413

During the six months ended June 30, 2023, sales to four oil and gas marketers represented more than 10% of revenue. Sales to these marketers account for approximately 66% of total oil and gas sales revenue (before royalties) in the first six months ended June 30, 2023. During the previous year ended December 31, 2022, sales to one marketer accounted for approximately 38% of total oil and gas sales revenue (before royalties). Spartan's oil and gas marketers are primarily large, credit-worthy institutions.

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

(CA$ thousands)	Current	30-60 days	60-90 days	Over 90 days	Total
Balance at June 30, 2023	**39,833**	**1,422**	**1,272**	**1,717**	**44,244**
Balance at December 31, 2022	135,140	2,953	1,306	1,014	140,413

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production receivables are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to receivables from the Company's joint venture partners. When determining whether amounts that are past due are collectible, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Management has reviewed past due accounts receivable balances as at June 30, 2023 and expects the accounts to be collectible, except for approximately $1.5 million of accounts receivable which are provided for in the expected credit loss provision ($1.6 million at December 31, 2022).

b) Liquidity Risks

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they become due. The Company's financial liabilities as at June 30, 2023 include accounts payable, dividends payable, distribution payable, derivative financial instrument liabilities, share-based compensation liability, current debt and long-term debt. In addition, the Company has financial commitments in respect of lease liabilities (note 10).

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, 2023, Spartan had $150.0 million outstanding under its second lien term facility (the "Term Facility") and an undrawn revolving credit facility (the "Credit Facility") with an authorized borrowing amount of $250.0 million (note 12).

During the second quarter of 2023, Spartan amended its Credit Facility and Term Facility, pursuant to which, the authorized borrowing base of the Credit Facility was reduced from $450.0 million to $250.0 million and the maturity date of the Term Facility was accelerated to December 29, 2023. As a result of the December repayment date, the Term Facility has been presented as a current liability on the Consolidated Statement of Financial Position.

The Company has sufficient liquidity for the next 12 months as current cash balances of $1.8 billion, future cash flow from operations and access to the undrawn amended Credit Facility is expected to be sufficient to fund the Term Facility repayment and meet the Company's financial obligations (including the dividends payable and distribution payable).

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at June 30, 2023:

(CA$ thousands)	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	110,386	-	-	-	110,386
Dividends payable (note 13)	1,671,778	-	-	-	1,671,778
Distribution payable (note 13)	60,620	-	-	-	60,620
Derivative financial instrument liabilities	1,902	-	-	-	1,902
Credit Facility (1) (note 12)	1,577	-	-	-	1,577
Term Facility (2) (note 12)	171,736	-	-	-	171,736
Undiscounted lease liabilities (3) (note 10)	11,851	22,283	9,927	2,223	46,284
Share-based compensation liability (note 13)	35,704	-	-	-	35,704
Total	**2,065,554**	**22,283**	**9,927**	**2,223**	**2,099,987**

(1) The Credit Facility (defined in note 12) is undrawn as at June 30, 2023. The table above includes estimated standby charges to be incurred on the $250 million authorized borrowing base to May 9, 2024, being the end of the current revolving period.

(2) The table above reflects the legal maturity for the Term Facility as at June 30, 2023. The above includes the principal, interest, fee payments and the make-whole premium over the period of July 1 to December 29, 2023.

(3) As at June 30, 2023, the present value of the Company's total lease liability is $41.0 million, of which $9.6 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.

As at June 30, 2023, Spartan has commodity price risk management contracts in place to protect cash flows and project economics. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, even though the Company considers all commodity contracts to be effective economic hedges. As a result, all such financial commodity contracts are recorded on the Consolidated Statements of Financial Position at fair value, with changes in the fair value being recognized as an unrealized gain or loss through the Consolidated Statements of Net Income and Comprehensive Income.

The table below summarizes average prices and notional volumes contracted under the Company's outstanding financial derivative contracts as at June 30, 2023:

	Natural Gas (1)					
	NYMEX Henry Hub Swaps (2)		NYMEX – AECO 7A Basis Swaps – Short (2)		AECO 7A Swaps (3)	
Period	Volume mmbtu/d	US$/ mmbtu	Volume mmbtu/d	US$/ mmbtu	Volume GJ/d	CA$/ GJ
Q3 2023	85,000	$4.74	85,000	($1.08)	55,000	$4.00
Q4 2023	85,000	$4.74	85,000	($1.08)	18,533	$4.00
Asset (4) (Liability)	**$ 35.5 million**		**($1.9) million**		**$ 11.6 million**	

(1) The prices and volumes in this table represent averages for contracts represented in the respective periods.
(2) NYMEX swaps are settled based on the last day of settlement of monthly futures contracts.
(3) AECO 7A swaps are settled the first day of the month based on a weighted average of the previous month's fixed price trades.
(4) The above table includes the financial derivative asset (liability) for the Company's commodity contracts but does not include the derivative financial instrument asset of $0.9 million at June 30, 2023, related to foreign exchange risk management contracts.

Subsequent to June 30, 2023, Spartan rebalanced its AECO 7A swaps by entering into new agreements with existing counterparties to settle 35,000 GJ/d at a range of fixed prices between $2.203/GJ - $2.235/GJ over the August, September and October timeframe. This rebalancing resulted in cash settlements of $5.7 million, with the realized gain of $5.7 million recorded in July 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, 2023 and at December 31, 2022 was not significant.

The table below summarizes the realized and unrealized component of the foreign exchange gain (loss) during the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
(CA$ thousands)	**2023**	2022	**2023**	2022
Realized foreign exchange gain (loss)	**(470)**	813	**(113)**	806
Unrealized foreign exchange loss	**(154)**	(429)	**(368)**	(381)
Foreign exchange gain (loss)	**(624)**	384	**(481)**	425

Spartan may enter into foreign exchange risk management contracts from time-to-time to manage currency risk on the Company's U.S. dollar denominated cash flows. The Company has contracts which fix the U.S. dollar exchange rate at $1.34 on a notional US$9.0 million per month from April 1, 2023 to December 31, 2023. The fair value of the foreign exchange contracts resulted in a current derivative financial instrument asset of $0.9 million at June 30, 2023 (December 31, 2022 – liability of $0.8 million).

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on long-term debt which bears floating rates of interest. Under the Credit Facility (note 12), 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. At June 30, 2023, the Credit Facility is undrawn therefore an increase (decrease) in the market rate of interest by 50 basis points would not have an impact on annualized interest expense. Under the Term Facility (note 12), interest is fixed at the current bank prime rate of 6.7% plus the fixed spread of 5.25%, for a fixed rate interest rate of 11.95% until the Term Facility matures in December 2023 (note 12).

Summary of derivative financial instrument assets and liabilities

The fair value of the Company's outstanding risk management contracts resulted in a net derivative financial instrument asset of $46.1 million at June 30, 2023, compared to a net asset of $33.0 million at December 31, 2022. The change in the Company's derivative financial instruments assets and liabilities is summarized below:

(CA$ thousands)	Current	Long-term	Total
Balances at June 30, 2023:			
Derivative financial instrument assets	**47,995**	**-**	**47,995**
Derivative financial instrument liabilities	**(1,902)**	**-**	**(1,902)**
Net asset	**46,093**	**-**	**46,093**
Balances at December 31, 2022:			
Derivative financial instrument assets	33,845	-	33,845
Derivative financial instrument liabilities	(818)	-	(818)
Net asset	**33,027**	**-**	**33,027**
Reconciliation of net change during the period:			
Unrealized gain recognized in net income			4,714
Settlement of acquired derivative liabilities (1)			8,352
Total change in derivative financial instruments			**13,066**

(1) The Company acquired a derivative financial instrument liability with a fair value of $94.2 million on August 31, 2021, of which $79.2 million was subsequently settled up to and including the year ended December 31, 2022 and $8.4 million was settled during the six months ended June 30, 2023. As of June 30, 2023, $6.6 million of the acquired derivative financial instrument liability is outstanding and will be settled over the course of 2023.

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, 2023:

(CA$ thousands)	Change in price / differential	Positive movement	Negative movement
NYMEX Henry Hub	+/- US$ 0.25 per mmbtu	(5,289)	5,289
NYMEX HH-AECO 7A Basis (1)	+/- US$ 0.10 per mmbtu	(2,116)	2,116
AECO 7A	+/- CA$ 0.25 per GJ	(1,691)	1,691
US$/CA$ exchange rate	+/- $ 0.05	(2,700)	2,700

(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)	**2023**	2022	**2023**	2022
Realized gain (loss)	**31,477**	(40,608)	**26,822**	(63,034)
Unrealized gain (loss)	**(27,794)**	38,112	**4,714**	(10,171)
Gain (loss) on derivative financial instruments	**3,683**	(2,496)	**31,536**	(73,205)

Offsetting of financial instruments

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

	Carrying Value ("CV")		
Balance as at June 30, 2023	Gross	Netting	Net CV
Financial assets			
Derivative financial instruments	**48,758**	**(763)**	**47,995**
Financial liabilities			
Derivative financial instruments	**(1,902)**	**-**	**(1,902)**

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

5. ASSETS HELD FOR DISTRIBUTION

The Logan Assets were reclassified to assets held for distribution at March 31, 2023 as it was determined the Spin-Out was highly probable to be completed in the upcoming twelve months. Immediately prior to the reclassification an impairment analysis was completed at March 31, 2023 which resulted in an impairment of $28.6 million, comprised of an E&E impairment of $21.0 million (note 8) and a PP&E impairment of $7.6 million (note 9). As at June 30, 2023, an additional $5.3 million of PP&E impairment (note 9) was identified and the assets and liabilities continue to be held for distribution. Pursuant to the planned Spin-Out, the Company transferred the Logan Assets and associated liabilities to Logan in exchange for Logan Shares and the Transaction Warrants to which the Logan Shares and the Transaction Warrants were distributed to eligible Spartan shareholders (note 1) on July 6, 2023.

The Company distributed $60.6 million in Logan Shares and Logan Transaction Warrants as a return of capital to eligible Spartan shareholders. The Distribution payable relating to the Logan Shares and Transaction warrants have been recorded at its fair value of $60.6 million as at June 30, 2023.

Subsequent to June 30, 2023, the Distribution was disbursed and the Spin-Out was completed on July 6, 2023 and Logan is no longer a subsidiary of Spartan.

Assets and liabilities classified as held for distribution during the period were as follows:

As at June 30, 2023 *(CA$ thousands)*	**Held for Distribution**
Right-of-use assets	234
Property, plant and equipment	83,187
Exploration and evaluation assets	6,931
Assets held for distribution	**90,352**
Lease liabilities	(206)
Decommissioning obligations	(29,546)
Liabilities classified as held for distribution	**(29,752)**
Net assets of disposal groups	**60,600**

6. ACQUISITIONS AND DISPOSITIONS

2023 Acquisitions and Dispositions

(i) Asset Sale to Crescent Point

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

Asset Sale to Crescent Point *(CA$ thousands)*	**Total**
Purchase price	**1,700,000**
Interim statement of adjustments	**4,611**
Cash consideration, after adjustments	**1,704,611**
Net working capital	100
Other current assets	7,839
Right-of-use assets	2,337
Property, plant and equipment	1,125,182
Exploration and evaluation assets	78,575
Other liabilities	(16,488)
Lease liabilities	(2,283)
Decommissioning obligations	(39,856)
Fair value of net assets disposed	**1,155,406**
Gain on sale of assets	**549,205**

(ii) Other

During the six months ended June 30, 2023, the Company completed a seismic acquisition for cash consideration of $1.0 million (note 8), disposed of vehicles for cash proceeds of $0.2 million, with a gain on disposition of $0.1 million recognized (note 9) and recognized minor final statement of adjustments from prior transactions.

2022 Acquisitions and Dispositions

During the year ended December 31, 2022, the Company completed minor property acquisitions for cash consideration of $0.7 million. The assets acquired primarily include undeveloped land (note 8). Acquisition costs in 2022 are net of $0.2 million of proceeds from favorable closing adjustments on property acquisitions completed in 2021. The Company also received $1.3 million of aggregate cash proceeds on minor property dispositions which resulted in a gain on sale of assets of $2.1 million as a result of disposing of associated decommissioning liabilities.

7. OTHER CURRENT ASSETS

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

8. EXPLORATION AND EVALUATION ASSETS

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

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Balance, beginning of year	**104,120**	102,596
Additions	**10,687**	17,255
Acquisitions (note 6)	**952**	605
Dispositions	**-**	(3)
Dispositions of assets held for sale (note 6)	**(78,575)**	-
Transfers to PP&E (note 9)	**(2,689)**	(9,372)
Expired mineral leases (1)	**(13)**	(6,961)
Impairment (note 5)	**(21,017)**	-
Reclassification to assets held for distribution (note 5)	**(6,931)**	-
Balance, end of period	**6,534**	104,120

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

Spartan assessed its E&E assets for potential impairment prior to transferring costs to PP&E and as at June 30, 2023 concluded there are no indicators of impairment.

At March 31, 2023, as a result of the Spin-Out (note 1), the E&E assets must be transferred to assets held for distribution at the lower of carrying value or FVLCD. At March, 31, 2023, an impairment loss on the Logan Assets of $21.0 million was recorded. The E&E assets associated with the Spin-Out have not been a recent development focus of Spartan, with the estimated fair value based on an independent third party land valuation for the Flatrock property combined with recent land purchases. At June 30, 2023, there were no indicators of impairment relating to the E&E assets and the remaining carrying value of $6.9 million for the E&E assets associated with the Spin-Out has been reclassified to assets held for distribution.

9. PROPERTY, PLANT AND EQUIPMENT

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

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

PP&E, at cost *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	1,448,890	1,151	1,450,041
Additions (1)	417,323	616	417,939
Acquisitions (2)	(125)	-	(125)
Dispositions	(125)	(48)	(173)
Transfers from E&E (note 8)	9,372	-	9,372
Changes in decommissioning cost estimates (note 11)	(35,515)	-	(35,515)
Balance at December 31, 2022	**1,839,820**	**1,719**	**1,841,539**
Additions (1)	**225,357**	**62**	**225,419**
Acquisitions	**73**	**-**	**73**
Dispositions	**(1,328,670)**	**(86)**	**(1,328,756)**
Transfers from E&E (note 8)	**2,689**	**-**	**2,689**
Changes in decommissioning cost estimates (note 11)	**6,729**	**-**	**6,729**
Reclassification to assets held for distribution (note 5)	**(135,580)**	**-**	**(135,580)**
Balance at June 30, 2023	**610,418**	**1,695**	**612,113**

(1) During the six months ended June 30, 2023, the Company capitalized $1.5 million of general and administrative expenses and $0.5 million of share-based compensation directly related to development activities. For the year ended December 31, 2022, the Company capitalized $3.0 million of general and administrative expenses and $1.0 million of share-based compensation.

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

Accumulated DD&I *(CA$ thousands)*	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2021	122,199	363	122,562
Depletion and depreciation	194,281	431	194,712
Dispositions	-	(7)	(7)
Balance at December 31, 2022	**316,480**	**787**	**317,267**
Depletion and depreciation	**86,441**	**262**	**86,703**
Dispositions	**(203,574)**	**(29)**	**(203,603)**
Impairment of assets	**12,922**	**-**	**12,922**
Reclassification to assets held for distribution (note 5)	**(52,393)**	**-**	**(52,393)**
Balance at June 30, 2023	**159,876**	**1,020**	**160,896**

Net carrying value	**D&P assets**	**Corporate**	**Total PP&E**
Balance at December 31, 2022	1,523,340	932	1,524,272
Balance at June 30, 2023	**450,542**	**675**	**451,217**

Future Development Capital ("FDC") expenditures required to develop total proved plus probable reserves in the amount of $1.1 billion are included in the depletion calculation for D&P assets for the three months ended June 30, 2023 ($4.0 billion at December 31, 2022). $2.7 billion of FDC expenditures were removed from the depletion calculation associated with the Asset Sale and Spin-Out once they were classified as held for sale or distribution.

Impairment of PP&E

Spartan reviews each of its cash generating units ("CGUs") for indicators of potential impairment at the end of each reporting period.

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

The disclosure below outlines the details of the estimates and assumptions applied in the impairment analysis completed as at June 30, 2023.

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

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

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

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

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

Table 1 – Selected Benchmark Price Forecasts

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

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

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

At March 31, 2023, an impairment review was required for the assets under the Asset Sale and Spin-Out immediately prior to the reclassification from PP&E to assets held for sale or distribution, respectively (note 5). The recoverable amount of the asset groups was estimated based on FVLCD methodology, calculated using the present value of the expected future cash flows discounted at 13% after tax. The estimated recoverable amount of the PP&E under the Asset Sale exceeded the carrying value and were reclassified to assets held for sale with no recognition of an impairment loss. The carrying value of the PP&E assets associated with the Spin-Out exceeded the FVLCD and an impairment loss of $7.6 million was recognized in the Consolidated Statements of Net Income and Comprehensive Income for the three months ended March 31, 2023.

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

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

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

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

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

Table 2 – Selected Benchmark Price Forecasts

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

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

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

10. 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, 2023**	December 31, 2022
Right-of-use asset, at cost		
Balance, beginning of year	**64,043**	64,257
Additions	**2,868**	-
Lease modification	**-**	(214)
Dispositions of assets held for sale (note 6)	**(2,385)**	-
Reclassification to assets held for distribution (note 5)	**(445)**	-
Balance, end of period	**64,081**	64,043
Accumulated depreciation		
Balance, beginning of year	**21,924**	12,468
Depreciation expense	**4,777**	9,456
Dispositions of assets held for sale (note 6)	**(48)**	-
Reclassification to assets held for distribution (note 5)	**(211)**	-
Balance, end of period	**26,442**	21,924
Right-of-use asset, net carrying value	**37,639**	42,119

LEASE LIABILITIES

As at June 30, 2023, the present value of the Company's total lease liability is $41.0 million, of which approximately $9.6 million is expected to be settled in the next twelve months. A continuity of the lease obligation is provided below:

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Lease liabilities		
Balance, beginning of year	**45,495**	54,796
Additions	**2,868**	-
Lease payments	**(6,175)**	(11,949)
Financing cost (note 16)	**1,277**	2,862
Lease modification	**-**	(214)
Dispositions – liabilities held for sale (note 6)	**(2,283)**	-
Liabilities classified as held for distribution (note 5)	**(206)**	-
Balance, end of period	**40,976**	45,495
Expected to be settled within one year	**9,630**	9,450
Expected to be settled beyond one year	**31,346**	36,045

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

The Company has short term leases in place primarily for equipment with contract terms less than twelve months, expensed within operating expenses. The total amount expensed in respect of short-term leases was approximately $2.3 million during the six months ended June 30, 2023 (six months ended June 30, 2022 – $3.9 million).

11. 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, 2023**	December 31, 2022
Balance, beginning of year	**128,602**	171,845
Obligations incurred	**2,301**	4,352
Obligations acquired	**-**	145
Obligations disposed	**(39,856)**	(1,118)
Obligations settled	**(1,882)**	(5,018)
Obligations settled through government grant (1)	**(3,098)**	(5,252)
Changes in discount rate	**5,131**	(44,944)
Changes in estimates	**(703)**	5,077
Accretion (note 16)	**1,780**	3,515
Liabilities classified as held for distribution (note 5)	**(29,546)**	-
Balance, end of period	**62,729**	128,602
Expected to be settled within one year	**3,918**	5,800
Expected to be settled beyond one year	**58,811**	122,802

(1) Funding earned through the Alberta provincial government Site Rehabilitation Program is recognized as "other income" in the Consolidated Statements of Net Income and Comprehensive Income during the six months ended June 30, 2023.

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at June 30, 2023 and excluding the decommissioning liabilities classified as held for distribution, the total undiscounted amount of the estimated cash flows required to settle the obligation is $74.3 million ($155.4 million as of December 31, 2022), of which, Spartan expects to incur approximately $33.1 million over the next 20 years, $39.6 million in 20 to 50 years and the residual thereafter. The estimated inflated undiscounted future cash flows required to settle the obligation is $137.2 million at June 30, 2023 based on an inflation rate of 2.3% on average over the restoration period (December 31, 2022 – $265.8 million based on an inflation rate of 2.3%).

As at June 30, 2023, the carrying amount of the decommissioning obligations is based on a risk-free rate of 3.1% (3.3% at December 31, 2022). The decrease in discount rate resulted in an increase in the carrying amount of decommissioning obligations by $5.1 million as at June 30, 2023 compared to December 31, 2022.

12. DEBT

As at June 30, 2023, debt is comprised of bank debt drawn under the revolving credit facility, if any, and indebtedness under the second lien term facility. The balance of debt is presented net of unamortized issue costs.

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Second lien term facility	**150,000**	150,000
Unamortized issue costs and prepaid interest	**(3,019)**	(4,820)
Debt	**146,981**	145,180

a) Bank debt

The Company has a senior secured revolving credit facility with a syndicate of financial institutions (the "Credit Facility"). The authorized borrowing base available under the Credit Facility is $250.0 million, comprised of a $50.0 million operating facility and a $200.0 million syndicated facility. As at June 30, 2023, the Credit Facility is undrawn.

The May borrowing base review was concurrently completed with the closing of the Asset Sale on May 10, 2023. The Company amended its Credit Facility pursuant to which the authorized borrowing amount was reduced to $250.0 million, comprised of a $50.0 million operating facility and a $200.0 million syndicated facility. As a result of the reduction, $0.4 million of unamortized issue costs have been accelerated and expensed in the current period.

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

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

The Company is subject to certain financial covenants under the amended Credit Facility which include the following for as 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 and hedging arrangements.

Covenant Description[1]		**June 30, 2023**	December 31, 2022
Liability management rating [2]	minimum ratio 2.0 to 1.0	**7.85**	10.59
Funded debt to EBITDA [3][4]	maximum ratio 2.5 to 1.0	**0.53**	0.18
Asset coverage ratio [5]	minimum ratio 1.5 to 1.0	**N/A**	10.37

(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 current debt and working capital. Net debt excludes derivative financial instrument assets and liabilities which are not due and owing at the calculation date and the majority of lease liabilities. Funded debt is equal to the net debt excluding working capital.

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

(5) The asset coverage ratio is an annual covenant calculated as the proved developed producing reserves of the Company (before income tax, discounted at 10%), as evaluated by an independent third party engineering report and evaluated on strip commodity pricing as at December 31, 2022, divided by the balance of funded debt (footnote 3).

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

The Company has a 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, 2023, there is $2.0 million of issued but undrawn letters of credit under the letter of credit facility (December 31, 2022 - $2.0 million). Subsequent to June 30, 2023, the demand letter of credit facility was reduced to $10.0 million, with $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”). During the second quarter of 2023, the Company agreed with the lender to an early repayment on December 29, 2023 of the outstanding Term Facility. As a result of the December repayment date, the Term Facility has been presented as a current liability on the Consolidated Statement of Financial Position. Spartan shall pay all accrued and unpaid interest and fees, plus the applicable make-whole premium and all other obligations owing to such Lender under the Term Facility. The make-whole premium is equal to (i) all future interest payments and (ii) all payments of annual review fees, that would otherwise be payable up to August 31, 2024.

The Term Facility will now bear interest at a fixed rate of 11.95% payable monthly and be subject to the same asset coverage and total debt to EBITDA financial covenants as the amended Credit Facility, as described above. Further, as a condition precedent to the Credit Facility amendment, the Intercreditor Agreement between the lender of the Term Facility and the syndicate of lenders for the Credit Facility has been concurrently amended (note 12(a)).

c) Movements in debt

The following table reconciles movements in debt during the periods ended June 30, 2023 and December 31, 2022:

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Balance, beginning of year	**145,180**	387,564
Advances	**-**	324,050
Repayments	**-**	(569,600)
Issue costs incurred	**(518)**	(946)
Amortization of issue costs	**2,319**	2,343
Change in prepaid interest on bankers’ acceptances	**-**	1,769
Balance, end of period	**146,981**	145,180
Current portion of debt	**146,981**	-

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

b) Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares or special shares outstanding as of June 30, 2023 (December 31, 2022 – nil).

	Number of common shares (000s)	Amount ($ thousands)
Balance at December 31, 2021	153,214	517,192
Issued for cash on exercise of warrants	15,814	15,814
Transfer value attributed to warrants exercised	-	9,725
Issued for cash on exercise of stock options	1,736	5,619
Transfer value attributed to stock options exercised	-	2,525
Released upon vesting of restricted share awards	646	2,781
Issue costs, net of deferred tax ($3)	-	(9)
Balance at December 31, 2022	**171,410**	**553,647**
Issued for cash on exercise of stock options	**14**	**46**
Cash payment on settlement of stock options	**1,775**	**(8,494)**
Transfer value attributed to stock options exercised/ settled	**-**	**6,888**
Released upon vesting of restricted share awards	**2**	**13**
Balance at June 30, 2023	**173,201**	**552,100**

Dividends

On May 10, 2023, Spartan declared a special cash dividend of $17.1 million ($0.10 per common share) payable on July 31, 2023 to eligible shareholders of record on July 14, 2023. The special dividend is designated as an eligible dividend for Canadian income tax purposes. Payment of the dividend is subject to shareholders' meeting certain eligibility requirements. Subsequent to June 30, 2023 and as of the date hereof, Spartan has paid $15.8 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance continues to be accrued as a financial liability.

On May 10, 2023, the Company declared a Cash Dividend of $1.65 billion ($9.50 per common share of Spartan) from the cash proceeds of the Asset Sale, payable on July 6, 2023 to eligible shareholders of record on June 20, 2023. The Cash Dividend is a combination of a return of capital to eligible Spartan shareholders and an eligible dividend. Payment of the cash distribution is subject to shareholders' meeting certain eligibility requirements. Subsequent to June 30, 2023 and as of the date hereof, Spartan has paid $1.50 billion of the cash distribution to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance continues to be accrued as a financial liability.

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

On November 8, 2022, Spartan declared a special cash dividend of $85.7 million ($0.50 per common share) payable on January 16, 2023 to eligible shareholders of record on December 15, 2022. Payment of the dividend is subject to shareholders' meeting certain eligibility requirements. During the six months ended June 30, 2023 Spartan has paid $76.7 million of the dividend to shareholders for which the Company has received the required attestations to confirm eligibility; the remaining balance of $9.0 million continues to be accrued as a financial liability.

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, 2021	15,814	9,725	1.00
Warrants exercised	(15,814)	(9,725)	(1.00)
Balance at December 31, 2022 and June 30, 2023	**-**	**-**	**-**

During the year ended December 31, 2022, all outstanding warrants were exercised for aggregate cash proceeds of $15.8 million.

d) Stock options

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

On March 28, 2023, in connection with the Transaction (note 1), the Company announced that the Board contemporaneously approved accelerating the vesting of the issued and outstanding options and share awards (note 13(e)). All outstanding options fully vested after closing of the Asset Sale on May 10, 2023. The outstanding options were settled on May 19, 2023 after lifting of trading blackouts following the closing of the Asset Sale based on Spartan's closing trading price the day prior to settlement.

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

The following table summarizes the change in stock options outstanding:

	Number of options (000s)	Average exercise price ($/share)
Balance at December 31, 2021	4,358	3.36
Granted (1)	799	8.29
Exercised	(1,736)	(3.24)
Forfeited	(98)	(5.19)
Balance at December 31, 2022	**3,323**	**4.56**
Exercised	**(1,789)**	**(4.56)**
Forfeited	**(4)**	**(3.00)**
Cancelled, settled in cash	**(1,530)**	**(4.56)**
Balance at June 30, 2023	**-**	**-**

(1) The options granted vest 1/3 per year on the anniversary date of the grant. Concurrent with the Asset Sale (note 1), all vesting was accelerated.

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	
	2023	2022
Risk free interest rate	-	1.6%
Expected life (years)	-	3.0
Expected volatility (1)	-	60.0%
Expected dividend yield	-	0.0%
Expected forfeiture rate	-	1.0%
Average fair value of options granted ($/share)	-	3.33

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

The volume weighted average trading price of the Company's common shares on the TSX for the three and six months ended June 30, 2023 was $13.97 and $13.80, respectively. During the three and six months ended June 30, 2022, the volume weighted average trading price of the Company's common shares on the TSX was $12.85 and $11.39, respectively.

e) Share awards

The Company has a share award incentive plan, pursuant to which the Company may grant RSAs and PSAs to directors, officers, employees and consultants of the Company.

As noted above in note 13 (d), in connection with the Transaction the Board simultaneously approved accelerating the vesting of the issued and outstanding options and share awards. All outstanding awards will vest between the closing of the Asset Sale on May 10, 2023 and December 15, 2023. The outstanding awards were valued at $15.66 per award based on the Spartan's 5-day volume weighted average trading price ("VWAP") up to May 19, 2023. The settlement dates of the share-award liability are dependent upon certain performance conditions with the liability being fully extinguished on or before December 15, 2023.

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

At March 28, 2023, the Company recorded a share-based compensation liability of $38.4 million relating to the modification from equity-settled to cash-settled awards, with $27.3 million offset against previously recognized contributed surplus and $11.0 million offset against retained earnings within shareholders' equity. At March 31, 2023, the Company remeasured the liability at fair value and recognized an additional $2.7 million of share-based compensation expense with a corresponding charge to the liability. At June 30, 2023, the Company remeasured the liability at fair value and recognized $11.0 million of share-based compensation expense with a corresponding charge to the liability. The Company paid $21.7 million during the second quarter of 2023 resulting in a remaining share-based compensation liability of $30.3 million.

The following table summarizes the change in share awards outstanding:

	Number of PSAs (000s)	Number of RSAs (000s)
Balance at December 31, 2021	-	1,959
Granted [(1)]	-	2,416
Released upon vesting	-	(646)
Forfeited	-	(183)
Balance at December 31, 2022	**-**	**3,546**
Granted [(1)]	**-**	**15**
Issued in lieu of dividend	**-**	**120**
Released upon vesting	**-**	**(2)**
Forfeited	**-**	**(13)**
Released upon cash settlement	**-**	**(1,391)**
Balance at June 30, 2023	**-**	**2,275**

(1) The majority of RSAs granted vest 1/3 per year on the anniversary date of the grant. During the year ended December 31, 2022, 0.5 million of the 2.4 million RSAs granted have a vesting schedule of 10% vesting on the first anniversary, 30% vesting on the second anniversary and 60% vesting on the third anniversary. Concurrent with the Asset Sale (note 1), all vesting was accelerated.

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, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
(000s)	**2023**	2022	**2023**	2022
WA common shares outstanding, basic	**172,265**	154,960	**171,845**	154,131
Dilutive effect of stock options	**936**	2,370	**1,356**	2,171
Dilutive effect of share awards	**-**	1,889	**-**	1,733
Dilutive effect of warrants	**-**	14,173	**-**	14,019
WA common shares outstanding, diluted	**173,201**	173,392	**173,201**	172,054
Net income	**457,069**	181,740	**543,518**	242,917
$ per common share, basic	**2.65**	1.17	**3.16**	1.58
$ per common share, diluted	**2.64**	1.05	**3.14**	1.41

14. INCOME TAXES

As at June 30, 2023, total tax pools available to the Company are estimated to be $317 million (December 31, 2022 – $2.1 billion), of which approximately 96% are non-capital losses (“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)	**2023**	2022	**2023**	2022
Net income before income taxes	**593,453**	235,535	**708,475**	317,557
Canadian statutory tax rate (1)	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**136,494**	54,173	**162,949**	73,038
Increase resulting from:				
Non-deductible expenses (2)	**143**	(216)	**2,261**	39
Write down of other non-current assets	**-**	-	**-**	1,725
True-up tax pools	**(253)**	(162)	**(253)**	(162)
Deferred income tax expense	**136,384**	53,795	**164,957**	74,640
Current income tax	**-**	-	**-**	-
Income tax expense	**136,384**	53,795	**164,957**	74,640

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

(2) Non-deductible expenses primarily relates to share-based compensation offset by the deductible value of RSAs released on vesting incurred prior to the decision to modify the share awards.

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

(CA$ thousands)	Balance at Dec 31, 2022	Recognized in net income	Recognized in balance sheet	**Balance at Jun 30, 2023**
Derivative financial instruments	(7,596)	(3,005)	-	**(10,601)**
Accelerated tax basis depreciation	(190,134)	65,398	-	**(124,736)**
Share-based compensation liability	-	(1,850)	8,823	**6,973**
Decommissioning obligations	29,578	(8,355)	-	**21,223**
Leases	776	(15)	-	**761**
Share issue costs	1,619	(148)	-	**1,471**
Non-capital losses and other (1)	285,713	(216,982)	-	**68,731**
Deferred income tax asset (liability)	**119,956**	**(164,957)**	**8,823**	**(36,178)**

(1) NCLs expire in years 2040 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.

Contemporaneous with the Transaction (note 1), the Board announced it will accelerate the vesting of options and share awards, with the intention to settle the share awards in cash. A $38.4 million share-based compensation liability with a corresponding offset to shareholders' equity was recognized on modification of the share awards (note 13(e)), with a corresponding deferred tax asset of $8.8 million.

The Company expects to have sufficient taxable profits in the future in order to utilize its NCLs which expire in years 2040 to 2041 and has recognized the deferred tax asset related to NCLs.

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*)	**2023**	2022	**2023**	2022
Oil and gas sales				
Crude oil	**67,904**	163,309	**203,133**	281,326
Natural gas liquids	**50,038**	94,356	**128,028**	178,351
Natural gas	**50,905**	180,034	**153,898**	300,446
Oil and gas sales	**168,847**	437,699	**485,059**	760,123
Royalties	**(14,988)**	(57,676)	**(48,572)**	(89,456)
Oil and gas sales, net of royalties	**153,859**	380,023	**436,487**	670,667

16. 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*)	**2023**	2022	**2023**	2022
Interest and fees on long-term debt	**11,094**	6,958	**17,164**	13,725
Financing cost of lease liabilities	**625**	732	**1,277**	1,497
Accretion of decommissioning obligations	**787**	866	**1,780**	1,563
Financing expenses	**12,506**	8,556	**20,221**	16,785
Interest income	**(13,697)**	-	**(14,685)**	(3)
Financing expenses (income)	**(1,191)**	8,556	**5,536**	16,782

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
(*CA$ thousands*)	**2023**	2022	**2023**	2022
Accounts receivable	**56,557**	(11,530)	**96,169**	(54,118)
Prepaid expenses and deposits	**(3,040)**	(6,768)	**(3,101)**	(7,694)
Other current assets	**7,839**	(3,213)	**2,340**	(7,917)
Accounts payable and accrued liabilities	**(76,692)**	10,178	**(66,469)**	37,129
Non-cash working capital disposed (note 5)	**7,102**	-	**8,549**	-
Foreign exchange	**70**	(228)	**(139)**	(108)
Change in non-cash working capital (1)	**(8,164)**	(11,561)	**37,349**	(32,708)
Relating to:				
Operating activities	**37,267**	1,362	**69,530**	(22,840)
Investing activities	**(45,431)**	(12,923)	**(32,181)**	(9,868)
Change in non-cash working capital	**(8,164)**	(11,561)	**37,349**	(32,708)
Cash payments in respect of:				
Interest and fees on long-term debt	**5,339**	6,614	**10,492**	12,596

(1) Change in non-cash working capital excludes the impact of $1.7 billion and $85.7 million of dividends declared, but not yet paid as at June 30, 2023 and December 31, 2022, respectively.

18. CAPITAL MANAGEMENT

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

As at June 30, 2023, the Company’s capital structure is comprised of adjusted working capital, debt and shareholders’ equity. The significant components of the Company’s capital structure are summarized below:

(CA$ thousands)	**June 30, 2023**	December 31, 2022
Working capital (surplus) deficit	**60,230**	(30,381)
Adjusted for current portion of:		
Derivative financial instrument assets	**47,995**	33,845
Assets held for distribution	**90,352**	-
Derivative financial instrument liabilities	**(1,902)**	(818)
Lease liabilities	**(9,630)**	(9,450)
Distribution payable	**(60,620)**	-
Liabilities held for distribution	**(29,752)**	-
Current debt	**(146,981)**	-
Adjusted Working Capital surplus (1)(2)	**(50,308)**	(6,804)
Current debt	**146,981**	-
Long-term debt	**-**	145,180
Net Debt (2)	**96,673**	138,376
Total shareholders’ equity	**308,825**	1,516,821

(1) “Adjusted Working Capital” is calculated as current assets less current liabilities, excluding derivative financial instruments, lease liabilities, assets/liabilities held for distribution and current debt. As at June 30, 2023 and December 31, 2022, Adjusted Working Capital includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, other current assets, accounts payable and accrued liabilities, dividends payable, distribution payable, share-based compensation liability and the current portion of decommissioning obligations.

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

Spartan’s Adjusted Working Capital surplus of $50.3 million at June 30, 2023 increased from the Adjusted Working Capital surplus of $6.8 million at December 31, 2022. The capital intensive nature of Spartan’s operations may create a working capital deficiency during periods with high levels of capital investment, however the Company maintains sufficient unused bank credit lines to satisfy working capital deficiencies when they occur. The Company’s Credit Facility is undrawn (note 12) and is expected to be sufficient for Spartan’s working capital requirements over the upcoming 12 months.

During the six months ended June 30, 2023, the Company’s primary sources of funds were $361.2 million of cash provided by operating activities, $1.70 billion of cash related to the Asset Sale, offset by dividends declared of $1.66 billion, supplemented by short-term advances of bank debt under the Credit Facility.

During the six months ended June 30, 2023, Spartan used its cash provided by operating activities to fund the Company’s exploration and development capital expenditures of $235.6 million, a $76.7 million payment relating to the special cash dividend of $0.50 per common share declared in the fourth quarter of 2022, a $30.2 million payment relating to the settlement of RSAs and options and lease principal payments of $4.9 million.

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

Three months ended (CA$ thousands)	**June 30, 2023**	December 31, 2022
Cash provided by operating activities	**146,482**	200,363
Change in non-cash operating working capital	**(37,267)**	34,765
Add back: transaction costs	**16,554**	(43)
Deduct: lease payments	**(2,469)**	(2,246)
Adjusted Funds Flow for the quarter	**123,300**	232,839
Less: Cashflow adjustment for disposition	**(55,498)**	-
Less: Other income - gain on construction project (1)	**-**	(14,315)
Adjusted Funds Flow for the quarter - normalized	**67,802**	218,524
Factor to Annualize	**4**	4
Annualized Adjusted Funds Flow (2)	**271,208**	874,096
Net Debt	**96,673**	138,376
Annualized Adjusted Funds Flow	**271,208**	874,096
Net Debt to Annualized AFF Ratio	**0.4 x**	0.2 x

(1) The calculation of Annualized Adjusted Funds Flow has been normalized for the gain of $14.3 million recognized on completion of an infrastructure construction project during the fourth quarter of 2022 as well as the cashflow associated with the assets sold in the second quarter of 2023.

(2) The Annualized Adjusted Funds Flow reflects operations for the three months ended June 30, 2023; the Annualized Adjusted Funds Flow will change after the Spin-Out is completed.

As at June 30, 2023, Spartan had Net Debt of $96.7 million, which is approximately 0.4 times the Company’s Annualized Adjusted Funds Flow for the second quarter of 2023. Net Debt of $138.4 million at December 31, 2022 decreased as a result of the cash proceeds from the Asset Sale, reduced operating activities from Asset Sale, partially offset by the $9.50 per share Cash Dividend declared, the cash payment relating to settlement of RSAs and options and higher transaction costs in the six months ended.

The Company’s existing capital resources are sufficient to satisfy its financial obligations for the next twelve months and Spartan is well positioned to execute on its short and longer term growth strategy. The Company’s exploration and development capital expenditures for 2023 are expected to be funded by a combination of cash on hand and cash provided by operating activities and may be supplemented by short term advances of bank debt during periods of high capital investment.

In the fourth quarter of 2022, Spartan announced the Repositioning Process, which concluded on March 28, 2023 through announcement of an Asset Sale, which subsequently closed on May 10, 2023, a planned distribution of the Logan Assets through the Spin-Out (note 1), and a cash distribution (note 21). The majority of the cash received from the Asset Sale was distributed to Spartan shareholders and all equity ownership in Logan was distributed to Spartan shareholders on July 6, 2023. On May 10, 2023, Spartan declared an additional special cash dividend of $0.10 per Spartan Share to shareholders of record on July 14, 2023 and payable July 31, 2023 (note 21). Spartan intends to return a portion of its Free Funds Flow to Spartan shareholders through periodic special dividends, while maintaining a strong financial position targeting a leverage ratio of approximately 0.5x debt to cash flow.

As at June 30, 2023, 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 12).

19. COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual commitments as of June 30, 2023:

(CA$ thousands)	2023	2024	2025	2026	2027	Thereafter
Gas transportation (1)	6,363	12,701	12,673	9,194	4,146	4,382
Liquids transportation (2)	372	773	4,264	1,356	-	-
Processing fees (3)	2,182	4,295	4,219	4,138	4,138	26,176
Capital commitments (4)	2,179	545	-	-	-	-
Total commitments (5)	**11,096**	**18,314**	**21,156**	**14,688**	**8,284**	**30,558**

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

(2) Liquids transportation commitment relate to a take-or-pay on NGL volumes at the Keyera Fort Saskatchewan Fractionation Facility until March 2026.

(3) Processing fee commitments relate to the following agreements: (i) firm capacity for natural gas gathering and processing at the Fourth Creek gas plant until October 2025; (ii) firm capacity for natural gas gathering and processing at the Kanata Simonette gas plant until September 2040.

(4) As at June 30, 2023, capital commitments includes an agreement committing Spartan to purchase $2.7 million of casing and tubing for future capital projects over 2023 to 2024.

(5) The commitments table does not include lease liabilities. A contractual maturity of the Company's financial liabilities and undiscounted lease payments is provided in note 4.

Following the completion of the Asset Sale (note 1), $232.2 million of previously disclosed commitments were transferred to Crescent Point. Subsequent to June 30, 2023, $67.0 million of the commitments noted in the above table were transferred to Logan.

Litigation

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

20. RELATED PARTY DISCLOSURES

a) Inter-corporate relationships

Spartan has one wholly owned subsidiary as at June 30, 2023, Logan Energy Corp. On June 20, 2023, the Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan and one (1) purchase warrant of Logan per common share of Spartan. All investment, share capital and intercompany working capital accounts between Spartan and its subsidiary are eliminated on consolidation. Spartan previously had a second subsidiary, Inception General Partner Inc., however, it was disposed of through the Asset Sale on May 10, 2023. Logan Energy Corp. was distributed through the Spin-Out (note 1) on July 6, 2023.

b) Related party transactions

During the six months ended June 30, 2023, the Company incurred $3.8 million of legal fees to a law firm where the corporate secretary of the Company is a partner (six months ended June 30, 2022 – $0.6 million), with the fees primarily relating to legal support through the Transaction (note 1). Approximately $3.4 million of legal fees are included in the balance of accounts payable and accrued liabilities as at June 30, 2023 (December 31, 2022 – $0.1 million).

21. SUBSEQUENT EVENTS

Distribution & Spin-Out of Logan

The Logan Assets were transferred and conveyed to Logan from Spartan in consideration for one (1) common share of Logan and one (1) purchase warrant of Logan per common share of Spartan, and were distributed to eligible Spartan shareholders on July 6, 2023. The purchase warrants distributed to Spartan shareholders entitled the holder to purchase one (1) Logan Share at an exercise price of $0.35 at any time on or before the close of business on July 31, 2023.

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

Crystallization of gas hedges

Subsequent to June 30, 2023, Spartan rebalanced its AECO 7A swaps by entering into new agreements with existing counterparties to settle 35,000 GJ/d at a range of fixed prices between $2.203/GJ - $2.235/GJ over the August, September & October timeframe. This rebalancing resulted in cash settlements of $5.7 million, with the realized gain of $5.7 million recorded in July 2023.